Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr15	Korea	Won 2500	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM12.00	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh16	Switz	SFr2.70
Hungary	Ft145	Neth	Fl. 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira35	Tunisia	Din0.900
India	Rs20	Norway	NKr13.00	Turkey	L2000
Indonesia	Rp5100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,505

Tuesday July 16 1991

D 8523A

US AIRLINES
New entrepreneurs spread their wings
Page 20

World News

EC observers arrive in Yugoslavia to monitor pact

EC observers arrived in Yugoslavia to monitor a peace accord threatened by clashes between Serbs and Croats in the breakaway republic of Croatia. Croatia accused Yugoslav troops of killing one of its national guards. Page 2

US optimistic on arms
The Bush administration expressed optimism about a rapid resolution of the remaining problem over the definition of new types of missile which has delayed an arms treaty agreement with the Soviet Union. Page 3

Amnesty accuses Iraq
Amnesty International said Iraqi troops killed "countless" civilians after the Shia Moslem and Kurdish uprisings that followed the Gulf War. Sanctions plea, page 6

Arafat escapes unhurt
PLO chairman Yasser Arafat escaped unhurt when his car overturned at high speed on the road from Baghdad to Amman. One of his bodyguards was hurt.

Japan's TV chief quits
Keiji Shima, 63, head of Japan's giant public NHK television corporation, resigned after admitting he gave false evidence to parliament.

Pact on bases near
The Philippines said it was near agreement with the US on a new military bases treaty after Washington served notice that it plans to abandon volcano-ravaged Clark air base.

Seaside axe attack
An axe-wielding Arab wounded three people, including an elderly French woman tourist, in the Israeli seaside town of Netanya. Police said the assailant was arrested.

Mali coup attempt fails
Major Lamine Diabira, a powerful member of Mali's military-led ruling council, and other officers were arrested after a coup attempt failed.

Rightist on the run
South African rightwinger Piet Rudolph said he would stay on the run from police trying to arrest him for refusing to be tried for speeding by a black magistrate.

Rao wins key vote
Indian prime minister P.V. Narasimha Rao's minority government won a vote of confidence in parliament after pushing through tough economic measures. Page 6

Mubarak threatened
Moslem extremists accused of killing Egypt's parliamentary speaker chanted death threats against President Hosni Mubarak when they appeared in a Cairo court.

Experts test reactor
International nuclear experts who condemned two of Bulgaria's nuclear reactors as unsafe sent a team of scientists to inspect a larger reactor the government wants to reactivate. Page 2

Papandreou blamed
Greek banker George Koskotas, the main witness in a $200m scandal, told a special court in Athens he put $8m of stolen money in an account at the request of former prime minister Andreas Papandreou, who is accused of taking bribes. Page 2

Turkish police kill two
Turkish police, cracking down on left-wing militants ahead of a visit by President George Bush, shot dead a man and a woman who lobbed hand grenades at them in Ankara.

Golf clubs fetch $1m
A set of 23 golf clubs, each used by a British Open champion, were sold for a record £627,000 ($1.04m) by Sotheby's of London.

Business Summary

US industrial output shows solid rise for third month

US industrial production in June registered a solid rise for the third month running, a sign that recovery is well under way in the factories. The Commerce Department said output rose 0.7 per cent last month.

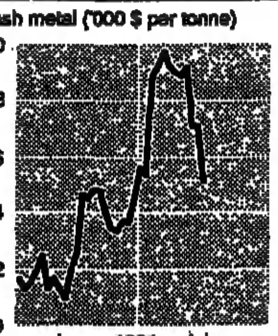
The steady, broadly-based rise in output will reassure policy makers monitoring data for evidence of sustained recovery. Some recent figures seemed to indicate a fitful revival. Page 18

FT-SE 100 index of leading shares rose 35.1 to 2,532.5 as hopes of sustained economic recovery this year caused prices to show their biggest daily rise since mid-March. Lex, Page 18; London stocks, Page 29

NICKEL prices fell sharply on the London Metals Exchange after nearby tightness of supplies eased further. The premium for cash metal over three-month was $2.50 a tonne at the close, compared with $50 on Friday. Page 27

Nickel

Cash metal ('000 $ per tonne)



Source: Datastream

BCCI: Abu Dhabi authorities publicly deplored the Bank of England's role in closing Bank of Credit and Commerce International and blamed Price Waterhouse, the auditer, for not uncovering "irregularities" earlier. Page 18; Page 3

JAPAN: outstanding debts of companies that failed in the first half of 1991 rose sharply by 348.6 per cent from a year ago to a record Y3,263bn ($23bn) a Japanese credit research agency, Tokyo Shoko Research, said. Page 6

PHILIPS, Dutch electronics group, is selling for $100m two compact disc factories in Germany and France to PolyGram, its 80 per cent-owned record company. Page 19

NCR, US computer company which earlier this year failed to fight off a $7.4bn bid from American Telegraph & Telephone, telecommunications group, saw second quarter profits fall to $99m. Page 19

TOMKINS, UK-based conglomerate, saw annual pre-tax profits rise from £77.06m to £112.10m, helped by both the acquisition of Philips, US industrial group, and financial management. Page 19; Lex, Page 18

PAINEWEBBER, large Wall Street securities house, reported a 131 per cent rise in second-quarter profits to $33.7m, up year-on-year from $14.6m, largely because the US retail broking continues its revival. Page 21

PACIFIC Dunlop, diversified Australian manufacturer and distributor, unveiled a A$374m (US$287.7m) bid for Petersville Sleigh, an associate of the Adelaide Steamship Group. Page 22

CHASE Manhattan, which owns New York's second largest and the US's third-largest bank, reported strong second-quarter results, with consolidated net income of $132m, up from $52m in the year-ago quarter. Page 21

FORD and Volkswagen signed a $2.8bn agreement with the Portuguese government to make a new multi-purpose vehicle for the European market. Page 18

Manufacturers Hanover and Chemical to merge

By Karen Zagor in New York

A MULTI-BILLION dollar merger was announced yesterday by Chemical Bank and Manufacturers Hanover in a move that will create the second largest US banking group.

The merger is the first between two US money-centre banks and could signal the start of widespread consolidation of the nation's troubled banking system. The market value of the transaction before the start of trading yesterday was more than $2bn.

Under the merger agreement, which was approved by both boards on Sunday and signed by the two chairmen yesterday after 60 days of negotiation, each share of Manufacturers Hanover stock will be exchanged for 1.14 of Chemical's common stock.

The banks said the new group, which will be known as Chemical Banking Corporation, will be owned equally by Chemical and Manufacturers Hanover. It will overtake Chase Manhattan in size to rank second to Citicorp.

About 6,200 jobs are expected to be lost from the combined workforce of 45,000. About 95 per cent of the job losses will come from New York, but cuts are also expected in London and Tokyo. The consolidation is expected to result in annual savings of $650m, partly through the job cuts. The new bank will take a restructuring charge of about $550m.

When the merger is completed, it will have $135bn in assets, $7.7bn in shareholder equity and a market capitalisation of $4.6bn. It will be based at what is now the headquarters of Manufacturers Hanover on Park Avenue in New York.

Mr John McGillicuddy, chairman of Manufacturers Hanover, will be chairman and chief executive of the new group until 1994, when Mr Walter Shipley, chairman of Chemical, will take over. Until then, Mr Shipley will be president and chief operating officer.

One of the first casualties of the link-up was Mr Thomas Johnson, who resigned yesterday as president of Manufacturers Hanover. Mr Johnson, who took part in the merger discussions, decided to step down when it became clear he was not being considered for the job of chief executive officer of the new organisation.

The merger, which is expected to be completed by the end of 1991 pending regulatory approval, will create a network with 660 branches in the US: 436 in New York, 132 in New Jersey, and 92 in Texas, where Chemical owns Texas Commerce Bancshares.

The bank intends to pay annual dividends of $1.20 a share, compared with dividends of $1 a share at present for Chemical and $1.88 for Manufacturers Hanover.

The news spurred heavy trading in the banks' stock and bonds. At mid-session, Chemical shares were up $2¼ to $25⅝, while its 9.76 per cent subordinated capital notes, due in 1999, were about 2 points higher at 96¾. Manufacturers Hanover's stock was up $5¼ at $28¾ and its 8.50 per cent subordinated notes, due 1999, were about 2 points higher at 90¾.

Lex, Page 18; analysis, Page 19; US bank results, Page 21

Summit urges completion of trade liberalisation talks by year's end

G7 ready to back Gorbachev

By Peter Norman, Philip Stephens, Robert Mauthner and Rachel Johnson in London

PRESIDENT Mikhail Gorbachev is guaranteed strong political support when he meets the leaders of the Group of Seven leading industrial countries tomorrow depite their severe reservations about his economic reform programme.

The G7 leaders have resolved to line up behind the Soviet President in recognition that he could suffer grave political damage if he is seen to be turned away from this week's meeting with the G7 without a show of support.

On the eve of the Soviet leader's arrival at the annual economic summit, the leaders of the US, Japan, Germany, France, Britain, Italy and Canada put their political weight behind his policy of perestroika while keeping the West's purse strings tied.

At yesterday's meeting virtually all the summit leaders urged that the Uruguay Round of trade liberalisation talks should be completed by the end of this year.

They also insisted that support for the Soviet Union in its troubles should not be at the expense of eastern and central Europe and the developing world.

In a series of declarations to be issued this morning, they will promise

- to promote the United Nations as a guarantor of world peace,
- to maintain sanctions against Iraq until the Baghdad government has met all the terms of the UN resolutions ending the Gulf War. It will intensify domestic pressure on President Saddam Hussein by calling for open and democratic elections, and
- to press for controls over arms sales.

On arms sales, Mr John Major, the British prime minister and summit host, was pressing for agreement on "common criteria" among suppliers to prevent the creation of regional arms imbalances.

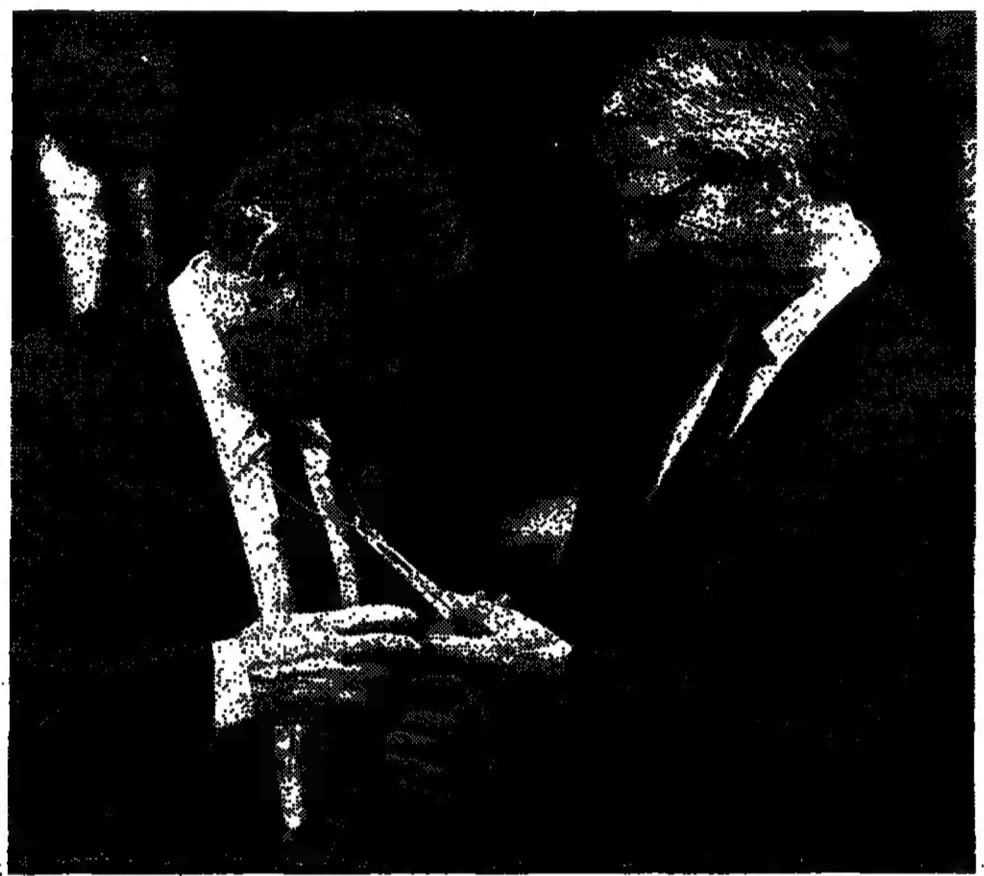
Mr Major promised some crisp declarations and British officials voiced confidence that his objectives would be agreed by the other leaders.

The declarations will also welcome reform in South Africa and call for early negotiations to follow Pretoria's recent decision to remove the legislative pillars of apartheid.

But despite the wide ranging nature of yesterday's discussions, it was the visit of the Soviet leader to London later today that continued to dominate this 17th economic summit.

Having made clear that President Gorbachev could not expect large scale financial aid from the London summit, G7 leaders went out of their way to assure him of a warm reception. Both President George Bush and Chancellor Helmut Kohl of Germany said President Gorbachev should be treated with honour for his work as Soviet leader and his contribution to the end of the Cold War.

Although the German leader has championed Mr Gorbachev's cause on the international stage there appeared to be few differences between him and the US leader about the Soviet Union yesterday. Mr Kohl hoped the meeting with the Soviet leader would mark the beginning of an intensive dialogue with the West and warned that a slide of the Soviet Union into instability could not lie in the interests of the West. Mr Bush also underlined the need for internal reform in the Soviet Union and a clarification of relations between Moscow and the Soviet republics.



Security check: UK premier John Major with German finance minister Theo Waigel

Mr Major yesterday set the promotion of a strengthened role for the United Nations and a commitment to the successful completion of the Uruguay round of world trade talks as his priorities for the London summit.

Finance ministers predicted a world recovery in the second half of this year. At a meeting chaired by Mr Norman Lamont, Britain's chancellor of the exchequer the consensus was that 1990 had been a very difficult year, British government sources said. The Gulf war had lowered investor and consumer confidence, then the rise in oil prices had heightened inflationary pressures.

However, there had been no "panic" in response to the Gulf war and this would pay economic dividends in the shape of a second-half recovery. This scenario was by no means without risk or assured – but was the balanced judgment of the finance ministers.

Background — Page 4

- World recovery later this year
- Kohl and Bush focus on environment
- Uruguay round gets top priority
- Soviet faith in imperfect blueprint
- Japan raises its voice
- Curb on loans to Moscow may be lifted

Israel under US pressure as Syria backs peace conference

By Peter Riddell in Washington and Hugh Carnegy in Jerusalem

THE US and Israel moved closer to confrontation last night over American proposals for a Middle East peace conference, following support for the initiative from Syria.

President George Bush said in London yesterday that the response from President Hafez al-Assad of Syria was "very positive". He was reacting to Mr Assad's description of the US proposals as "positive and balanced" and the basis for a comprehensive peace settlement.

However, Israel last night signalled it would not drop its objections to the US proposals.

The White House later announced that Mr James Baker, the Secretary of State, would make a further trip to the region after the G7 meeting in London, his fifth since the end of the Gulf war.

Mr Marlin Fitzwater, the White House spokesman, added that the response from Damascus represented "real movement in the search for peace" and went "well beyond any previous position taken by Syria."

Mr Brent Scowcroft, the US national security adviser, noted that the Israelis had so far responded negatively to Mr Bush's proposals, but the US hoped that they would "re-evaluate in the light of the Syrian response." Egypt and a spokesman for the Palestine Liberation Organisation also welcomed the Syrian reply.

Continued on Page 18

Syrian flexibility wrong-foots Israel, Page 18

Crédit Lyonnais to take 20% of Usinor-Sacilor

By George Graham in Paris

CREDIT LYONNAIS, the French state-controlled bank, is to take a 20 per cent stake in Usinor-Sacilor, France's state-owned steelmaker, in a deal designed to raise fresh capital for both companies.

The bank will subscribe FFr2.5bn ($400m) in cash to a Usinor rights issue, which is expected to give it approximately 10 per cent of the steel group. The state will then subscribe to a Crédit Lyonnais capital increase, paying for its new shares by transferring Usinor shares to lift the bank's stake to 20 per cent.

The operation is the latest in a series of often complex reshufflings of shareholdings in the French state sector, designed to meet the capital requirements of state-owned companies without direct cash outlays by the government.

Banks have been particularly in need of such fund-raising operations as they have strived to meet the tougher capital adequacy requirements imposed by the Cooke ratios of the Bank for International Settlements and by the European Commission. Industrial groups such as Rhône Poulenc, the chemicals company, and Pechiney, the aluminium producer, have used similar techniques.

Direct cash injections by the state have tended to be reserved for companies such as Thomson and Bull in the ailing electronics sector. These injections have also frequently attracted criticism from Sir Leon Brittan, the EC competition commissioner, who is particularly watchful for subsidies to state-run companies.

Usinor said that the arrival of Crédit Lyonnais would clearly improve its debt levels – it currently has FFr28.9bn of debt for exactly the same amount of equity – and would also improve its image as a fully competitive company.

The steelmaker said the addition of a new shareholder should help to convince both the European Commission and national authorities that it now competed normally without subsidies from the government. Usinor recalled that the UK government had expressed reservations this year when Usinor sought to acquire control of Britain's ASD.

The group has recovered from a long history as the most consistent loss-maker in France to record substantial profits in the last three years, with net earnings of FFr3.5bn last year. This year, however, it has warned that market conditions have made its position more difficult.

Usinor expects net profits of around FFr800m in the first half of 1991, but said that the second half usually produces worse operating results. The group will also be hit by restructuring costs resulting from the closures of a blast furnace and iron ore mine.

The bank has already carried out a number of similar operations designed to increase its capital.

At the end of 1990, Crédit Lyonnais's Cooke ratio reached 9.08 per cent, well above the 8 per cent norm, but rapid expansion has increased its appetite for fresh capital.

CONTENTS

Spain turns to intervention to bolster the market economy

Finance minister Carlos Solchaga is the architect of the socialist government's plan to use public sector industries as a weapon to push the fragmented private sector into preparing for 1992

Page 16

MARKETS

STERLING
New York lunchtime:
$1.6535
London:
$1.6525 (1.6495)
DM2.955 (2.955)
FFr10.0275 (10.0175)
SFr2.5575 (2.555)
Y225.75 (225.5)
£ Index 90.4 (Same)

GOLD
New York: Comex Aug
$370 (369.6)
London:
$368.9 (368.15)

N SEA OIL (Argus)
Brent Aug
$19.625 (−0.125)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.789
FFr6.071
SFr1.5475
Y136.685
London:
DM1.7875 (1.789)
FFr6.0675 (6.0725)
SFr1.548 (1.549)
Y136.65 (136.75)
$ Index 67.5 (67.6)
Tokyo close: Y137

US LUNCHTIME RATES
Fed Funds: 5⅞%
3-mo Treasury Bills: 5.71%
Long Bond: 96$\frac{15}{32}$
yield: 8.43%

STOCK INDICES
FT-SE 100:
2,532.5 (+35.1)
FT Ordinary:
1,951.1 (+25.4)
FT-A All-Share:
1,206.38 (+1.1%)
New York lunchtime:
DJ Ind. Av.
2,985.47 (+4.7)
S&P Comp
381.58 (+1.33)
Tokyo: Nikkei
23,459.04 (+321.26)

LONDON MONEY
3-month interbank:
11$\frac{1}{16}$% (same)
Liffe long gilt future:
Sep 91$\frac{31}{32}$ (Sep 91⅞)

EC team arrives in Yugoslavia

By Laura Silber in Belgrade

EC observers arrived in Yugoslavia yesterday to monitor a peace accord threatened by clashes between Serbs and Croats in the breakaway republic of Croatia.

Croatia accused Yugoslav army units of killing one of its national guard when they fired on the republican troops in Kraljevcani, 50km south of Zagreb. Another Croatian soldier was wounded in shelling from army tanks, Mr Milan Brezak, deputy interior minister claimed.

Mr Brezak accused the federal army of "deliberately violating a locally-agreed ceasefire when the tanks refused to pull back". Yesterday's clashes followed several hours' fighting between local Serbs and Croatia's national guard in the same region on Sunday. Local Serbs are demanding secession from Croatia to join Serbia, the biggest Yugoslav republic.

Mr Branko Salaj, a Croat government official, said: "We are in a de facto state of war; it is important the EC mission will witness this and tell Europe". The 21-strong EC team arrived in Zagreb to monitor the peace accord reached on the island of Brioni on July 7. This seeks a three-month freeze on of Slovenia's and Croatia's declarations of independence, a ceasefire, and federal army return to barracks.

The Yugoslav state presidency has accepted the Brioni declaration, but representatives from Montenegro and the Serbian province of Kosovo said they would not attend a meeting on Brioni today, further imperilling peaceful negotiation. Mr Sejdo Bajramovic, Kosovo's representative to the presidency, said he was staying away unless talks were held in Belgrade. Slovenia refuses to talk in Belgrade.

Peoples hard as stone collide as war elbows reason aside

Judy Dempsey takes a long view of how the current ethnic strife in Yugoslavia came about

FIGHTING between Serbs and Croats in the Yugoslav republic of Croatia is entering a new phase, in which neither moderate Yugoslav officials nor EC observers may be able to prevent full-scale civil war, according to Balkan diplomats.

The war now unfolding is a one of revenge under-pinned by two very different cultures pursuing conflicting goals: an independent Croatia and a Greater Serbia. The end of communist rule has given free rein to the articulation of these pursuits.

Serbs first migrated to the plains of Slavonia in eastern Croatia to escape Turkish rule in Kosovo in the 17th century, and the two sides co-existed peacefully until 1918.

The collapse of the Habsburg and Ottoman empires left a political void which the South Slavs – Slovenes, Croats and Serbs – tried to fill by creating a parliamentary democracy under the Kingdom of Croats, Serbs and Slovenes, which had no internal boundaries.

But the Serbs, inhibited by a weak political and legal culture, believed they should have *their own national Serbian* state. The Croats, inspired by Mr Ante Starcevic and other 19th century Croatian nationalist ideologists, argued that they too should have a state for Croats in the new kingdom.

These ambitions were exploited by Mr Ante Pavelic, a Croat and founder of the Nazi-backed Ustasha government in Croatia during World War II.

Recruited from among impoverished Croats in western Bosnia-Hercegovina, the Ustasha set out in the early 1940s to create an independent Croatia. In doing so, they murdered tens of thousands of Jews, Serbs and Moslems.

The Serbs in Croatia sought refuge among Tito's communist partisans or Draza Mihailojvic's right-wing royalists.

Fifty years later, both ethnic groups in Croatia are seeking redress for their failure to attain their separate goals and revenge for World War II.

Tito kept revenge in check, except for a brief and violent suppression of the Croat nationalist movement in 1971. Armed with a massive internal security network, he repressed all ethnic aspirations.

But he made two fundamental errors.

First, in his determination to rally all forces behind him in the new Yugoslavia, he failed to de-Nazify Croatia.

Second, as a reward to the partisans, Tito moved thousands of Serbs from the backward regions, particularly from the Dinaric mountains in Montenegro, up to Croatia where they took over property owned by long-established German settlers who were forced to flee.

There was an instant clash of cultures. These Serbs, who had little in common with earlier Serb migrations to Croatia, did not assimilate. Furthermore, since many of them were communists, Tito promoted them at the expense of Croats.

Meanwhile, former Ustasha supporters emigrated, or kept a low profile. Poor Croats brought in from Montenegro and Bosnia by the Ustasha went to work abroad, later returning with money to reap the tourism benefits of Croatia's incrative and beautiful Dalmatian coast.

Many settled in Split, one of the largest ports, which was soon transformed into a region controlled by Croat nationalists.

Until lately, they had stayed out of politics. But today, they are among those forcing the pace of events. The activists belong to the generation called *dosljaci* (newcomers), who were settled in Croatia and other parts of Yugoslavia after the war.

The Croatian government, for example, is dominated by Croats from the Dinaric region of Montenegro, including Mr Sime Djodan, the nationalist minister of defence, and by nationalist emigrés from Canada, including Mr Ante Beljo, general secretary of the ruling Croatian Democratic Union (HDZ).

Yugoslavia's troubled history has decreed that the leaders in Serbia, Vojvodina, and Kosovo – all controlled by Mr Slobodan Milosevic, president of Serbia – are dominated by Serbs from the Dinaric region. Apart from Mr Milosevic himself, these include Mr Veljko Kadiejevic, the federal defence minister, and Mr Drago Zelenovic, the prime minister of Serbia.

"No-one should underestimate the people from the Dinaric region, whether they are Serbs or Croats," explained Mr Omer Nakicevic, former director of the Islamic faculty in Sarajevo.

"They are tough, determined, and uncompromising. Like the mountains in which they once lived, they are as hard as stone," he added.

Indeed, voices of moderation and compromise are stifled. Vjesnik, the Croatian daily newspaper, suggested last month that Mr Josip Kir-Reihl, a Croat and police chief in the Croatian town of Osijek, may have been murdered by HDZ extremists because he wanted a dialogue with local Serbs.

"Reason is not allowed. Serbs and Croats who for centuries lived side by side in peace will soon be asked to choose", one Yugoslav journalist commented.

The Goddess of Victory, loaded on a truck, drives past the ruin of Berlin's Anhalter station on her way back to the Brandenburg Gate. 'Victoria' needed renovation after Germans, celebrating the opening of the Wall, climbed the gate and damaged the statue

Soviet Union accepts need for energy sector market reforms

By Andrew Hill in Brussels

THE Soviet Union accepts the need for market reforms in its energy sector, it said yesterday, but did not detail how these could be achieved or if they would require specific outside funding.

Mr Lev Voronin, Soviet ambassador to the EC, said at the first day of talks on a European energy charter that he believed the 35 participants should use the talks as a chance for co-operation, not confrontation.

The charter must not set one group of nations against another, or one group of policies against another, he added.

The fact Mr Voronin was the first delegate invited to address the conference underlines the Soviet Union's importance to the charter, one of the main aims of which is to help that country exploit its abundant resources.

No discussion came on the issue of nations' sovereignty over such resources. But the Soviet delegation was understood to include representatives of some of its republics, which have been seeking control over oil and gas fields.

Mrs Yvonne van Rooy, Dutch foreign trade minister, stressed the importance of introducing a market-based system in east European countries. Through co-operation in the energy field and by gradually introducing market prices, the European energy charter could help the important changes towards market-oriented systems in central and eastern European countries, and would be instrumental Soviet market-oriented economic reform, she added.

The energy charter is the brainchild of the Dutch prime minister, Mr Ruud Lubbers. The aim is to sign an accord in mid-December. The preparatory conference, lasting until Thursday, aims for a framework of working groups to negotiate the charter, discuss a basic legal protocol, and handle issues such as energy efficiency and the environment, nuclear safety and hydrocarbons use. It is being attended by all European countries, and the non-European Group of 24 nations, including the US and Japan.

Banker claims $8m 'deposited' for Papandreou

MR George Koskotas, the Greek banker and main witness in the $200m (£125m) Bank of Crete scandal, told a special court in Athens yesterday he put $8m of stolen money in an account at the request of former prime minister Mr Andreas Papandreou, Reuter reports from Athens.

Mr Papandreou, was charged by parliament in September 1989 with accepting bribes and stolen money in connection with the embezzlement scandal at the private bank, which Mr Koskotas owned and ran. The latter produced what he said was a handwritten note by Mr Papandreou asking him to deposit $8m at a London bank.

"At Mr Papandreou's house in June 1988, he asked me to deposit $8m at a bank in London. He wrote down the name of the bank, the account number of a company he apparently controlled and the name of the bank's manager," Mr Koskotas said.

He said the alleged transaction was made through an associate of Mr Papandreou; he claimed the two men were involved in arms sales. He presented to the court company accounts he said were controlled by Mr Papandreou or his Panhellenic Socialist Movement party, and in which money from alleged arms deals was deposited.

Mr Koskotas accused him of instigating a scheme to deposit state funds at the Bank of Crete, then skim off millions of dollars in interest.

Mr Papandreou, 72, could face jail for life if convicted. He denies wrongdoing and has refused to attend the trial, calling it a political plot.

MR Henning Christophersen, EC commissioner for economic and monetary affairs, yesterday expressed "concern" about Greece's public debt, saying some aspects of the country's structural reform programme were also worrying, AP reports from Brussels. His statement followed a visit to Greece last week to monitor a medium-term reform programme, tied to an EC loan of Ecu2.2bn (£1.53bn).

IBM offers amnesty to E European software users

INTERNATIONAL Business Machines, the world's largest computer company, yesterday announced an amnesty programme for illegal users of its software in eastern Europe, AP reports from Warsaw.

Trade bans, restrictions by the Communist regimes and lack of money have all contributed to software piracy in the region.

However, governments have promised to take steps to end the illegal usage as a route to membership of the European Community and other western organisations.

IBM said there was no way to estimate how many illegal users there were or how much money was at stake. Discounted prices are being offered to those who come forward.

The company would not say whether those who did not take advantage of the IBM offer before the October 31 deadline would face prosecution.

Eastern Europe offers a tremendous new market for computer companies and the amnesty programme is designed to bring new customers into the fold. IBM said it was not aware of any similar "legalisation" programme among their competitors.

Two options are being offered, both directed at companies with substantial "mainframe" equipment.

The first allows companies to become normal IBM customers and continue using their current software until March 1993, for a fee of about $5,500.

The second offers updated IBM software and full system support over a period of time.

UN team to inspect third Bulgarian nuclear reactor

NUCLEAR experts who said two of Bulgaria's reactors were unsafe sent a team of scientists today to inspect a larger reactor which the government wants to bring back into operation, Reuter reports from Sofia.

A spokesman for the UN's International Atomic Energy Agency (IAEA) said the team would spend three weeks at the controversial Kozlodui nuclear plant.

They will check the safety of a 1,000MW reactor shut a few months ago for maintenance and repairs, but which the Bulgarian authorities want to bring back into use next month.

Bulgaria agreed on Tuesday to shut down the two oldest of Kozlodui's four 440MW reactors in about six weeks' time, in return for promises from the west to help it find alternative sources of power.

The two Soviet-built reactors are the only ones functioning at the plant, near the Romanian border. The Kozlodui plant, similar to the one at Chernobyl in the Soviet Union which exploded with devastating effect in 1986, supplies 40 per cent of Bulgaria's electricity.

An IAEA report issued last week said radioactive leaks at Kozlodui were excessive and emergency procedures inadequate. It expressed concern about the vulnerability of the plant to the region's earthquakes.

IAEA officials said Bulgaria was hoping to bring the two remaining – and more modern – 440MW reactors back into operation next month, as well as the fifth, 1,000MW reactor.

Russian power struggle rages on

A POWER struggle over the future of the Russian Federation raged on yesterday as President Boris Yeltsin failed to secure approval for the man he wants to replace him as chairman of the republic's parliament, Leyla Boulton reports from Moscow.

Russian deputies tried for a third day to elect a new chairman as Mr Ruslan Khasbulatov, the parliament's forceful first deputy chairman, was again pitted against a young Communist hardliner, Mr Sergei Baburin.

A close Yeltsin ally, Mr Khasbulatov lacks backing among the Russian president's supporters in the Democratic Russia movement. Some accuse the former economics professor of high-handed behaviour in managing parliament in Mr Yeltsin's absence.

The disunity among so-called democrats has helped explain why Mr Baburin, the Communist party favourite, polled even more votes than Mr Khasbulatov in an earlier election on Saturday. Neither man has so far won the necessary minimum 531 votes from the Congress of People's Deputies, or super-parliament.

Mr Yuri Yarov, centrist chairman of the executive committee of the Leningrad regional council, was brought in as a compromise candidate yesterday.

But the uncharismatic Mr Yarov was unlikely to break the deadlock. Yeltsin allies insisted the only way out of the parliamentary crisis was to continue pushing the candidacy of Mr Khasbulatov until the Congress gave in.

Mr Evgeny Ambartsumov, an adviser to Mr Yeltsin, warned yesterday that the Supreme Soviet would become ungovernable if Mr Baburin were elected as its head.

The creation of the presidential post last month has curtailed the role of the parliamentary chairman, but the latter is still instrumental in steering legislation through parliament.

He is also responsible for nominating judges to a new constitutional court.

● The Soviet Defence Ministry has allocated troops and 30,000 army vehicles to help save this year's drought-affected grain harvest, the Communist party daily Pravda said yesterday, Reuter reports from Moscow.

The 60 motorised battalions will be spread over 20 regions of the Russian Federation.

The government yesterday ordered the republics to respect an agreement signed six months ago whereby they contracted to supply the state with 77m tonnes of grain this year.

Dutch to restrict disability benefits

By Ronald van de Krol in Amsterdam

THE Dutch government is to place strict limits on the country's disability benefit programme, in an attempt to curb the runaway growth in one of the Netherlands' main items of social expenditure.

Under controversial plans drawn up over the weekend, the centre-left cabinet is proposing to limit disability payments to no more than six years, representing a severe curtailment of the country's generous, open-ended scheme.

When the six years are up, people classified as disabled will fall under a far less generous scheme that pays only 70 per cent of the nation-wide minimum wage of roughly Fl 2,100 (£632) a month.

The proposed changes, scheduled to take effect in mid-1992, are designed to generate savings of Fl 4.4bn in 1994 and head off the prospect that 1m people could be drawing disability benefits by 1998.

At the moment, the Netherlands' wide-ranging disability scheme, known by its Dutch acronym WAO, pays out up to 70 per cent of an employee's last earned salary up to the age of 65. For employees declared unfit to work in their 30s, benefits could last for 30 years or more.

Dutch trade unions fiercely oppose the proposed changes and have promised to take unspecified "actions" after the summer holidays. "What is clear so far is that these actions won't be limited to demonstrations but will be carried out inside companies," a union spokesman said.

When introduced in the mid-1960s, the WAO scheme was hailed as a jewel in the crown of the Dutch welfare state. But the number of recipients grew explosively during the 1980s, and it has now become the main domestic political and budgetary problem facing Mr Ruud Lubbers, the Dutch prime minister.

Unlike the system operated in other countries, the WAO programme is all-encompassing, covering people injured in industrial accidents as well as those who suffer from stress on the job. Around 30 per cent of "WAOers", as the disabled are called, have been declared unfit to work on psychological grounds.

The proposed changes, which will be debated by parliament later this year, will not affect disability-benefit recipients over the age of 50, who currently account for around 60 per cent of the 900,000 people covered by the scheme. However, the new rules will apply to all other existing recipients, as well as to all newcomers, regardless of their age. The measures are part of a package drawn up by the cabinet in preparation for the 1992 budget, which will be unveiled in September.

Other elements, designed to tackle high rates of absenteeism in the Netherlands, include proposals for subtracting one day of vacation every time an employee calls in sick. Dutch workers, who generally have five to six weeks' annual holiday, will still be guaranteed a minimum of four weeks.

Another measure would require companies with workforces of more than 15 people to pay the first six weeks of an employee's sick leave. Currently, sick leave is paid out of general government funds raised by social-security premiums paid by employers and employees alike.

Italian output falls 3 per cent in May

ITALY'S unadjusted index of industrial output fell 3 per cent in May from a year earlier, the State Statistical Institute Istat said yesterday, AP reports from Milan. Industrial production in the first five months fell by 2.7 per cent on the same period a year earlier.

Sweden's recovery seen as 'slow and possibly short-lived'

Analysts are forecasting a rapid movement from cooldown to over-heating, Robert Taylor reports from Stockholm

SWEDEN'S economy is pulling out of recession this summer but its recovery will be slow, modest and possibly short-lived, according to forecasts as the country closed down for its long summer break.

With a general election due on September 15, the ruling Social Democrats and their political opponents are using the statistics selectively.

Mr Allan Larsson, finance minister, insists the economy is now firmly on the right course to stability and renewed growth, while the main opposition parties argue that the underlying trends in the economy remain critical – an opinion shared by the country's employers at the Confederation of Swedish Industries.

The independent economic prognoses for this year and next confirm Mr Larsson's anticipation of a modest upturn, improved further with the fall in interest rates since May 17, when the krona was pegged to the European Currency Unit. But they also suggest Sweden will remain fragile and sluggish, with persistent structural problems.

Sweden's gross national product has fallen for two quarters in a row, with a 0.4 per cent decline in the first quarter of this year.

Net investment dropped 7.5 per cent, with a sharp decline of 15.5 per cent in manufacturing investment. Industrial production suffered a net fall of 1 per cent for the second successive quarter.

The balance of payments deficit for the 12 months to May stood at SKr26.3bn (£2.46bn). The annual inflation rate in the 12 months to to May stood at 10.4 per cent, compared with a year before – this was the highest figure among western economies. These statistics provide a gloomy picture of an economy in recession, although official unemployment, at 2.1 per cent, remains one of the lowest among market economies.

The latest observations, particularly those from the Organisation for Economic Co-operation and Development, suggest Sweden will start to pull out of its present troubles this year and through 1992, albeit the upturn will be slow.

The OECD predicts only a modest rise in economic growth of 0.4 per cent, in the OECD's bottom league, but a clear improvement on the contraction of 0.9 per cent expected for this year. The recovery will be based, the OECD argues, on a powerful 3.7 per cent growth in exports, which would be the best rate achieved since 1987.

Mr Larsson says the OECD growth forecast for 1992 is too pessimistic because it does not take account of more recent, favourable signs in the Swedish economy since the krona was linked to the Ecu.

Sweden's high rate of inflation over the past two years looks set to fall during 1992 to an annual 3 to 4 per cent, partly as a result of modest wage settlements. However, the OECD does not believe the export expansion will prevent a worsening in Sweden's current account deficit to $5.2bn from $5.5bn this year. Unemployment is set to reach 3.6 per cent next year – high by Swedish standards.

Industrial production is expected to improve by a modest 1.5 per cent, after falls of 2.8 per cent and 2.5 per cent respectively in the past two years. But the OECD warns of a continuing decline in capital investment in 1992 for the third year in a row, with a fall of 4.5 per cent after 6.6 per cent this year. The negative investment pattern – confirmed in the industry confederation's reports – is particularly worrying in manufacturing.

Mr Larsson will be able to take much of the credit for the expected economic recovery in the autumn. He has stood firm against internal pressures from the trade unions and the big public-sector spenders who want election promises of more benefits. The new fiscal prudence reflects the degree to which the country's economic management has become integrated to the international financial system.

However, many analysts believe the Swedish economy will run into supply-side bottlenecks in an upturn, with a rapid move from cooldown to over-heating.

Mr Larsson also faces a return of the budget deficit problem. The latest estimate suggests it will climb to about SKr24.6bn this year, or 2 per cent of gross domestic product. In 1991-92, it can be expected to fall to SKr10bn, but the predicted increase to SKr46bn in 1992-1993 will make a return to balance by the mid-1990s difficult.

The message is clear. The next government will enjoy no scope for any extra spending on benefits or cutting of taxes. Either would undermine the government's finances and force up interest rates, Mr Larsson maintains.

However, he can draw comfort from one finding as he starts his summer holiday. When asked recently by the Sifo opinion poll what the primary issue should be in the September general election, 47 per cent of Swedes opted for the environment, followed by taxation and law and order. Economic problems such as unemployment and inflation were hardly mentioned.

If Swedes are not particularly anxious about the future of the economy, this could be bad for the non-Socialist parties as they try to convince the voters that the country is still in crisis and needs a more full-blooded free market strategy than the Social Democrats dare adopt.

SWEDEN'S FUTURE

Indicator	OECD 1991	OECD 1992	Sparbanken 1991	Sparbanken 1992	Handelsbanken 1991	Handelsbanken 1992	Nat Institute 1991	Nat Institute 1992
GDP growth (%)	−0.9	0.4	−0.4	0.5	−0.3	0.7	0.0	3.0
Current account balance (SKrbn)	−36	−34	−32	−37	−44	−43	−42	−62
Prices (% increase)	9.5	3.7	9.0	4.0	9.5	4.0	8.8	4.0
Industrial production growth (%)	−2.5	1.5	−2.5	1.0	−3.0	1.0	−2.5	1.0
Unemployment rate (%)	2.8	3.6	2.7	3.5	3.0	5.0	2.7	3.0

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AMERICAN NEWS

White House hopeful on missiles agreement

By Peter Riddell, US Editor, in Washington

THE Bush administration yesterday expressed optimism about a rapid resolution of the remaining problem over the definition of new types of missile.

The problem over missile classification is holding up final agreement between the US and the Soviet Union on a strategic nuclear arms treaty (Start), which would substantially reduce both sides' long-range nuclear weapons.

Both the US and the Soviet Union were yesterday stressing how much had been agreed by negotiations over four days of talks in Washington. The experts are now at work to see if the problem can be resolved before President George Bush and President Mikhail Gorbachev meet in London tomorrow . This will determine whether the long-delayed Moscow summit between them will take place around the end of this month or later, after the August holidays. The White House yesterday left open the question of timing.

However, even the normally cautious Mr Brent Scowcroft, the president's national security adviser, said he was optimistic and thought it quite possible that the remaining differences could be resolved by tomorrow. "What is left is an issue dealing with the definition of new types. It's an important issue, but it's not beyond resolution."

The Bush administration knows that any treaty will have to be unambiguous and with no loopholes to secure the two-thirds majority in the Senate needed for ratification, in face of doubts about Soviet intentions expressed by some conservative Republicans.

Resolution of the problem will determine the timing of the summit

The problem is over the definition of missile throw-weight, or the lifting power of missiles, which determines whether a missile is a new type or is classified as an existing weapon. This affect the future pattern of missile development – "the strategic balance for the next 15 or 20 years," according to Mr James Baker, US secretary of state.

The US originally proposed that a 30 per cent change in the throw-weight of any missile would classify it as a new type, while the Soviet Union proposed 15 per cent, later raised to 20 per cent. The US said it could accept 22.5 per cent and the two sides agreed on 21 per cent, though other definitional problems remain.

At stake is the Soviet desire to leave room for a new version of the SS-25 missile, containing more warheads than the existing one.

Production costs could be contained if the throw-weight is marginally different from the current version. But the US wants to ensure that the new missile's throw-weight is substantially greater, raising productions costs and preventing it from being substituted for single-warhead missiles in a crisis.

The breakthrough over the weekend came on downloading – the number of warhead spaces on a multiple warhead missile. The US originally argued that a combined total of up to 1,000 warheads could be withdrawn, or downloaded, from one type of missile on each side, while the Soviets had pressed for the withdrawal of up to 2,150 warheads from three types of missile. The compromise was the withdrawal of no more than 1,250 warheads from three types of missile. Agreement was also reached on exchange of electronic information about missile test flights.

Hood film makes $9.2m

THE film Boyz N the Hood, which has been at the centre of violence across the US, made an estimated $9.2m (£5.8m) in its first showings at the weekend, according to Columbia Pictures, Peter Riddell reports.

One person was killed and at least 33 wounded in shootings linked to the film, which is about growing up in the violent neighbourhood of south central Los Angeles.

Many of the casualties were the result of random shootings outside cinemas, while in other cases members of rival gangs had a spontaneous shootout.

A handful of cinemas cancelled showings but 829 continued screening the film.

Aid donor warns Peru over human rights

By Sally Bowen in Lima

HUMAN RIGHTS violations in Peru are threatening to block future economic aid.

Mr Hans Peter Repnik, Germany's Secretary for International Co-operation, made clear during a visit to Lima this week that promised German assistance totalling $165m would depend on greater respect for human rights. "If Peru wants to return to the international financial fold, respect for human rights must be guaranteed," he said.

An Amnesty International report last week placed Peru at the top of its list of countries where people had disappeared for the fourth year in succession. It said that 308 men, women and children had "disappeared" last year in Peru after detention by security forces.

Victims were mainly peasants, human rights workers and union leaders. Dozens of others were executed outside the legal system, according to the report, which accuses the Peruvian security forces of "torture and generalised ill-treatment".

Mr Ian Martin, Amnesty International's secretary-general, said in Lima last week: "The situation in Peru is one of the most worrying" in the Americas.

Battleground shifts in Central America

As fighting dies down, the dilemma is how to achieve growth, writes Tim Coone

THE GUNS are gradually falling silent in Central America. The rain forests and abandoned maize plots that were the Cold War's local battlegrounds of the 1980s are now seen as the potential economic base for the region's peaceful development in the 1990s.

The region's planners and politicians are faced with complex choices. Should they seek to produce beans and rubber tyres for the local market, or avocado pears for New York and denim jeans for Moscow? Should they try to revitalise the near-moribund Central American Common Market (CACM), or negotiate national, bilateral trade accords with the US, the EC and Far Eastern countries?

Few economists in the region still believe that Central America's import-substitution model of development, established in the 1960s, and the limited market offered by the CACM, can survive in a world evolving into large trading blocs. The Central Americans are being invited to join the free trade zones being negotiated by Mexico, Canada and the US, and by leading countries in South America.

The potential for regional instability was the subject of a recent seminar organised in Costa Rica by the London-based International Institute for Strategic Studies (IISS). The seminar concluded that "democratic progress in the region is being impeded by a lack of economic progress".

The 1980s were a lost decade for the majority of the 30m people populating the isthmus. More than 1m have been displaced by military conflicts. As resources were pumped into defence, the economic infrastructure was neglected.

The IISS considers that liberalising market reforms already under way should be accelerated, to modernise the region's agricultural and industrial base and make it able to compete in the rapidly changing world market. It points to the key role that agrarian reform and income redistribution have played in the fast economic growth of the newly industrialising nations of Asia. A further suggestion is that governmental and foreign aid efforts be directed to meet basic human needs, improve literacy and education, and rebuild the economic infrastructure.

In short, industrialisation, more capital-intensive peasant agriculture and export diversification are considered fundamental for any sustainable growth.

Although a new pragmatism is beginning to emerge to accommodate the challenges of the 1990s, the prospects of success in taking the plunge vary.

In Nicaragua, the left-wing Sandinistas relinquished power through the ballot, having taken control through the force of arms a decade before. The new government has chosen consensus rather than confrontation to resolve questions of privatisation and land ownership disputes, as well as in implementing prices and wages policy and monetary, fiscal and trade reforms. Progress is slow, but real. However the country's industries are obsolescent.

In El Salvador, the FMLN guerrillas and government are thrashing out a ceasefire, while the government has gone a long way in implementing economic reforms to promote export-led growth. Both sides say the peace process is now "irreversible".

Mr Ernesto Altschul, vice-minister of the presidency in El Salvador, said: "The countries of the region should not be afraid of the left organising. Where the left is weak and fragmented, there is a role for the international political organisations to provide them assistance. There is no place for a military option." Such statements from a leader of the right-wing Arena party would have been unthinkable a decade ago.

As for Guatemala, the IISS concluded: "It is perhaps the one country of the region that will be least affected by the ending of the Cold War". Political violence is endemic and, although peace talks between the new government and the left-wing URNG guerrillas are under way, death squads roam with impunity. Levels of poverty and illiteracy are among the region's most severe.

In contrast, Costa Rica is perhaps the most politically and economically advanced country on the isthmus. Its non-traditional export performance by 1989 had already surpassed its traditional export sectors of coffee and bananas. A large part goes to the US market.

Mr Francisco Paula de Gutiérrez, of the INCAE business administration institute in Costa Rica, said: "My impression is that Costa Rica will advance quickly in this direction and not await regional agreements, otherwise it will lose out against the others." Both Costa Rica and Honduras have already signed framework free-trade accords with the US.

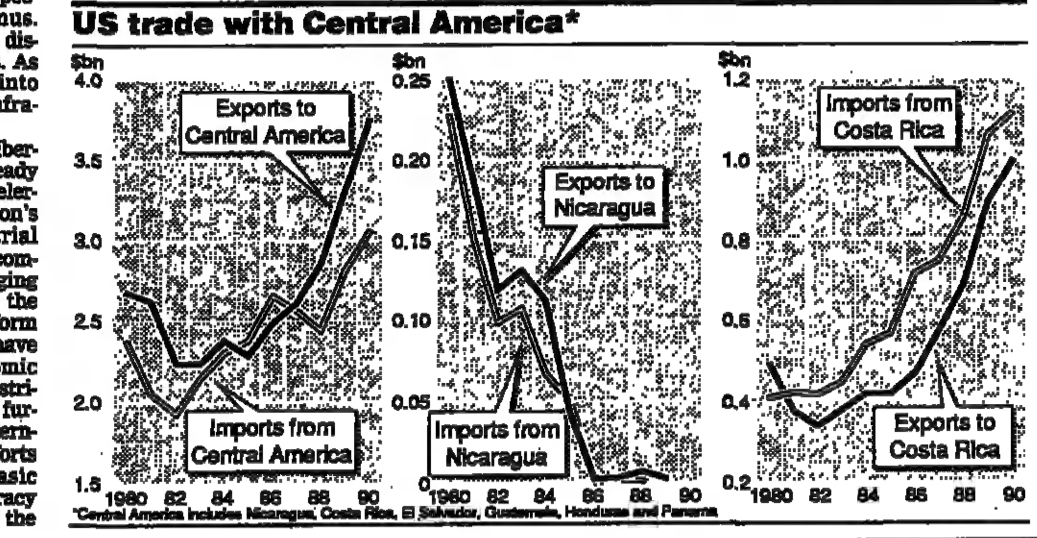
The EC has been encouraging the Central Americans to co-ordinate their economic and trade policies, and has given substantial finance to promote intra-regional trade.

US and EC trade officials are telling their Central American counterparts that concessions in key areas – such as tropical products and textiles – are in the pipeline but are only likely to be approved under a broader agreement within the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade.

With the Gatt talks stalled, the most economically backward countries – such as Nicaragua, Guatemala and Honduras – find themselves at a considerable disadvantage. Substantial amounts of foreign aid will be needed to help them catch up when foreign aid budgets of the industrialised nations are increasingly directed towards eastern Europe.

Time for peace: as five Central American presidents meet this week in San Salvador for an economic summit, FMLN commanders clean their weapons. The El Salvador guerrilla group has limited its truce to the city for the summit

US trade with Central America*



*Central America includes Nicaragua, Costa Rica, El Salvador, Guatemala, Honduras and Panama

Bush takes the lead in pressing for rapid settlement of international trade talks

Top priority for completing Uruguay Round

By Rachel Johnson

THE US, Britain and Japan yesterday singled out the successful completion of the Uruguay Round of trade talks as the highest economic priority at the Group of Seven's present London summit and on the international agenda.

Mr Marlin Fitzwater, White House spokesman, said it was vitally important for the G7 to "unblock" the negotiations at the General Agreement on Tariffs and Trade, and to accelerate progress over the central issue of agricultural reform.

President George Bush would be at the forefront of the push for trade reform, Mr Fitzwater promised. He had secured "fast track legislative authority" on Gatt, accelerating an eventual decision on the round by the US Congress, and was looking for similar commitments from other members.

Mr Bush was raising the issue with each leader in turn, underscoring that the Gatt talks were at a "crucial stage". He had warned leaders that, unless the Gatt round ended this year, there was a danger it never would, Mr Fitzwater said.

The focus would be on agricultural reform at the summit but there also had to be progress on market access – the cutting of tariffs with the aim of integrating more countries into world trade and the economic system – export subsidies, and less domestic supports.

"Eastern Europe wants trade, not aid," Mr Fitzwater said. This was echoed by the European Community's director general for external affairs, Mr Horst Krenzler.

The EC also wanted to see a co-ordinated effort to open markets to eastern Europe. It acknowledged that the greatest barrier-breaking effort had to come from the EC. This was easily eastern Europe's biggest market, totalling about Ecu20bn (£14bn) compared with the US's Ecu2bn.

Mr Krenzler said that a system of export trade credits could be established between the Soviet Union and east Europe as a way of stimulating trade, in spite of Moscow's lack of foreign currency to pay for its imports.

Mr Bush raised the central issue of agricultural trade reform in bilateral meetings with Mr Jacques Delors, European Commission president, Mr Ruud Lubbers, Dutch prime minister, and Chancellor Helmut Kohl.

Washington is trying to persuade the EC to open its agriculture market to imports, and reduce farm subsidies.

Mr Kohl agreed there had to be a conclusion to the Uruguay round this year, German government sources said. He himself pointed out that farm ministers were examining the relevant proposals on agricultural reform. An open trading policy was vital for the growth of eastern and central Europe, the Soviet Union and the Third World, he said.

Urgency was evident in other statements on trade yesterday. British officials stressed that it was at the very the top of prime minister John Major's summit goals.

Progress in this area was of primary importance to the world economy and was the way to stimulate world economic activity. It was frustrating, the officials said, that the Gatt talks had gone so far only to grind to a halt. The UK would seek a strong message from the summit in the final declaration.

As host, Mr Major would encourage leaders to give the problem their personal involvement and backing, in a united effort to complete the Uruguay round this year.

The Japanese, too, said they sought a strong political statement on Gatt for a solution at the end of this year.

Developments yesterday show the G7 leaders – particularly Mr Bush – throwing their weight behind decisions on trade taken at the OECD ministerial meeting in Paris last month. There, ministers committed themselves to "achieving substantive progressive reductions of agricultural support and protection."

Curbs on EBRD loans to Moscow may be eased

By Anthony Robinson, East Europe Editor

THE crowded agenda for the latter part of the G7 summit, when the spotlight falls on the Soviet Union, includes a proposal to lift tight restraints on lending for Soviet projects imposed on the recently created European Bank for Reconstruction and Development (EBRD).

Largely at the insistence of the US, the biggest single shareholder, the EBRD is only permitted to lend $40m (£25m) a year to Soviet projects over the next three years. This is equivalent to the annual capital contribution to the bank by the Soviet Union.

Over the next five years the Soviets will contribute $200m to the subscribed capital of the bank, which is one third of its long-term commitment of $600m.

European government shareholders gave support for lifting restrictions at last December's European Council meeting. But the US, which wants the EBRD to concentrate on lending to emerging private enterprises in eastern Europe, rather than expensive Soviet infrastructure projects, has held out against lifting the curbs.

President François Mitterrand of France, who is first on President Mikhail Gorbachev's list of bilateral meetings scheduled for Wednesday, is a strong supporter of a larger Soviet role for the bank, which was first proposed by France and is headed by Mr Jacques Attali, Mr Mitterrand's former close assistant.

Mr Gorbachev, who is expected to see Mr Attali during his three day-stay in London, will also have a chance to raise the issue with US President George Bush at their working lunch on Wednesday.

Mr Gorbachev will be pressed at a plenary session with G7 leaders at Lancaster House later in the day to put flesh on some of the crucial policy areas which require western financial and technical assistance to get off the ground.

One such area is western help in funding the proposed internal convertibility of the rouble.

Mr Vladimir Shcherbakov, the first deputy prime minister and finance minister, indicated yesterday that Moscow was looking for $10bn-$12bn in hard currency for this.

"The main beneficiaries of such convertibility would be not Soviet citizens but foreign investors who require convertibility so they can export their profits," he said at a press conference in the Soviet embassy.

Japan decides to raise its voice

JAPAN does not find it easy to be assertive on the world stage. At most summits, it has looked insecure, almost apologetic – as recently as the Gulf war, its policy-makers seemed to have lapsed into a trance.

London may mark a turning of the tide and a departure from Tokyo's recent tendency to be almost defensive in its courtship of the western media. The emphasis had been on explaining away the country's trade surplus, on offering reassurance that its approach to foreign policy was firmly in the western mainstream.

There is an element of that in London. Among the piles of carefully arranged briefing material for English-speaking journalists yesterday there was a beguiling document offering 10 key facts about Japan's trading performance in 1990. It listed in detail the surge in imports of everything from aircraft to paintings. The country's exports hardly rated a mention.

As the summit began, though, it was clear that Japan, in the person of Mr Toshiki Kaifu, its normally rather deferential prime minister, had arrived with its own agenda. It was set out eloquently – and frequently – for the press yesterday by Mr Taizo Watanabe, foreign ministry spokesman.

Mr Kaifu was at his most

There is nothing defensive about Tokyo's stance at this summit, writes **Philip Stephens**, Political Editor

assertive about the Soviet Union. While Chancellor Helmut Kohl and President François Mitterrand spoke of the need to ensure that President Mikhail Gorbachev was given the assistance he needed to complete his Soviet revolution, Mr Kaifu reminded them that glasnost and perestroika had not penetrated the Far East.

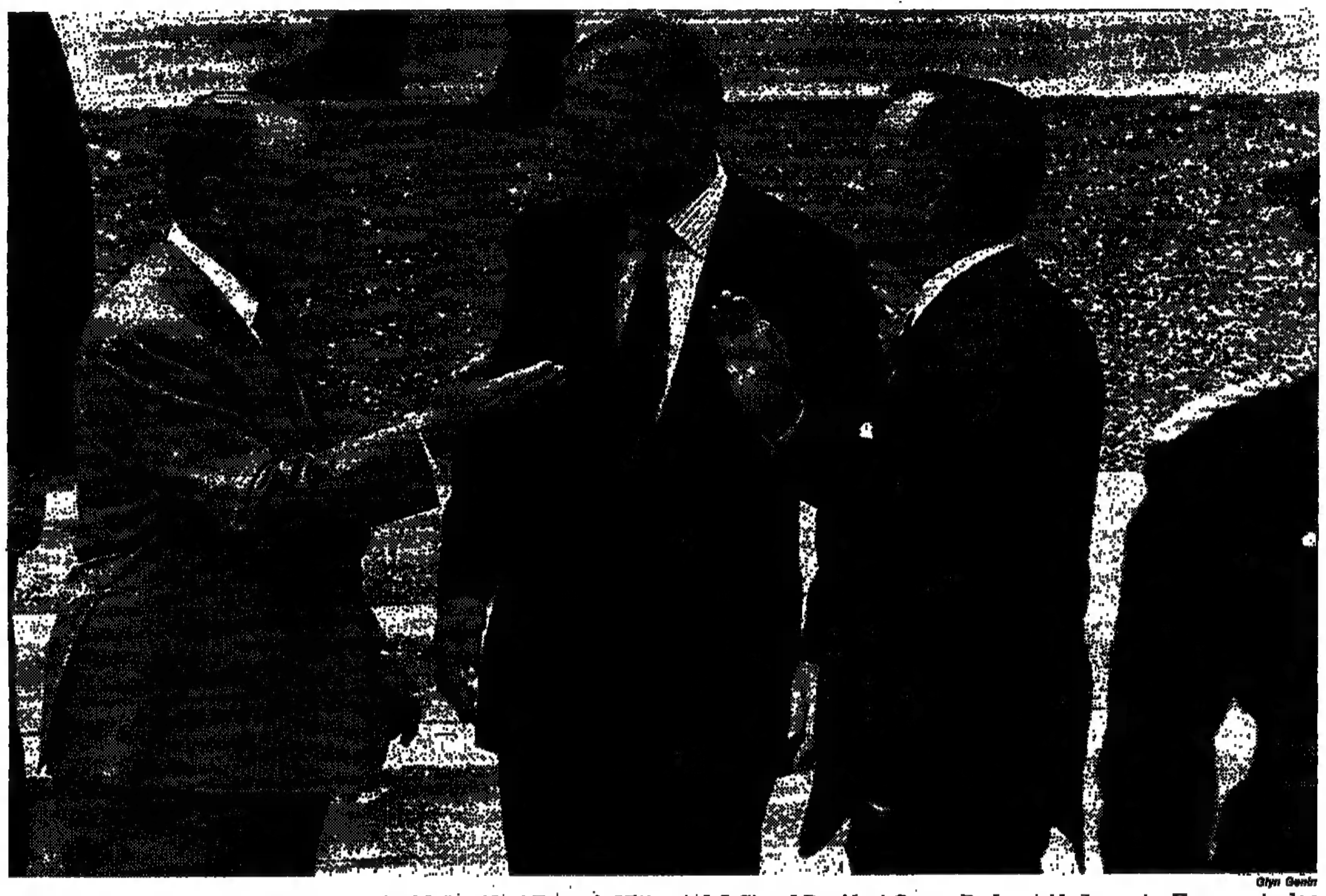
Japan was still denied its rightful sovereignty over the four northern Kurile islands, seized by Moscow as the Second World War ended. Before joining – and probably bankrolling – a Group of Seven aid effort, Tokyo wanted assurances, underwritten by the G7, that the Soviet Union would relinquish the islands. As Mr Watanabe put it, Japan was looking for the "global application" of glasnost.

However, Mr Kaifu's ambitions in London do not extend simply to territorial claims. Japan, said Mr Watanabe, had been forced to tax each of its citizens by an extra $100 to pay its contribution to the Gulf war. It now wanted to ensure that those who had benefited from huge arms sales to Iraq could not do so again.

Mr Kaifu was seeking a response also to Japan's many "initiatives" to breathe new life into the stalled world trade talks. It had already made compromises and was not prepared to accept criticism of the restraints it placed on, say, imports of rice, as long as Europe and the US were not addressing the issue of farm subsidies.

There were signs also that Japan has decided to promote its role as the only Asian power at the western-dominated summit. Discussions about aid to eastern Europe had to be accompanied by analysis of the problems of Mongolia.

All this is tempered still by a certain hesitancy. Mr Watanabe was at pains to stress that Mr Kaifu shared the fundamental objectives of his partners on any subject one could care to choose. Even so, Japan has signalled that it is no longer prepared to be a silent partner in creating the new international orders promised by its allies.



Glyn Genin

British prime minister John Major (centre) with President François Mitterrand (left) and President George Bush outside Lancaster House yesterday

Study warns of need to adapt agenda

By Peter Norman, Economics Correspondent

THE Group of Seven should overhaul procedures at its annual summits to lay a firm basis for future collective leadership, according to a leading study group.

A report published by the Group of 30, an influential think-tank which comprises former international economic policymakers, said the system of international co-operation symbolised by the summits was at risk, in part because of resurgent nationalism. It urged three steps to strengthen the summit process.

The report said:

● Leaders of the big industrial countries should set a new core agenda for future summits, which they would tackle regularly alongside the crisis issues that tend to dominate annual meetings at present.

● They should better define how nations share responsibility for global security, and

● They should improve follow-on arrangements for summit initiatives.

One possibility would be to institute G7 inter-ministerial meetings in addition to those which take place among finance ministers.

The group said the core agenda should be short and comprise fairly broad topics. It added aid, including debt relief and debt reduction, the environment, trade and investment, and defence and other international matters involving protecting the weak by the threat and force of arms should be added to the list.

The Summit Process and Collective Security: Future Responsibility Sharing. $15 from Group of 30, 1990 M Street NW, Suite 450, Washington DC 20036.

Major to press disaster relief scheme

By Edward Mortimer

MR John Major, the British prime minister, will advance an Anglo-German proposal on disaster relief for discussion at the summit, one of several ideas aimed at strengthening the role of the United Nations.

The plan was first mooted by Mr Douglas Hurd and Mr Hans-Dietrich Genscher, the UK and German foreign ministers, when they met at Halle in eastern Germany last month.

According to Mr Hugh Hanning, chairman of a British lobbying organisation, the Fontmell Group on Disaster Relief, it will be the first time the subject has been discussed at ministerial, let alone head-of-government, level.

The proposal calls for a senior international figure, based in New York and answering directly to the UN secretary-general, to be permanently responsible for co-ordinating international relief efforts, especially in the early stages of an emergency.

It arises directly from Mr Major's role in galvanising the international response to the Iraqi Kurdish exodus in April and reflects a radical change in British government attitudes to such operations.

Britain has been deeply sceptical about the UN's capacity to organise disaster relief. Two years ago it was one of a handful of UN members which did not even answer a questionnaire on the subject from the UN Disaster Relief Organisation (UNDRO), or make any arrangements for its Disaster Relief Decade, which began last year.

But on May 14 this year Mrs Linda Chalker, Britain's minister for overseas development, told the House of Commons that "the UN must lead and co-ordinate the international response to international emergencies."

The new proposal is based on the successful experience of the Office for Emergency Operations in Africa (OEOA), set up in 1985 to cope with the Ethiopian famine.

Its executive co-ordinator, Mr Maurice Strong, operated out of New York with the full support of the UN secretary-general.

He was able to cut across the dividing lines between the various UN humanitarian agencies, most of which are based in Geneva.

Non-governmental organisations have been urging the reconstitution of the OEOA to deal with the current African famine, in which up to 30m lives are believed to be at risk. Mr Javier Pérez de Cuéllar, the UN secretary-general, has recognised the urgency of the situation but opted for a different solution, giving the responsibility to one of his own deputies, Mr James Jonah.

Mrs Chalker is also concerned about the immediate African crisis but Mr Hurd and Mr Major seem to be giving priority to getting the long-term machinery right.

They feel that precious time is lost if *ad hoc* arrangements have to be made each time a disaster occurs – hence the proposal for a permanent high-level UN office.

It is hoped the proposal will be adopted by the UN General Assembly in the autumn. Endorsement by the G7 leaders would be an important step towards this.

Recovery seen later in year

By Rachel Johnson and Robert Mauthner

FINANCE ministers of the seven biggest economies yesterday predicted a world recovery in the second half of this year. At a meeting chaired by Mr Norman Lamont, Britain's chancellor of the exchequer, the consensus was that 1990 had been a very difficult year. The Gulf war had lowered investor and consumer confidence, then the rise in oil prices had heightened inflationary pressures.

However, there had been no "panic" in response to the Gulf war and this would pay economic dividends in the shape of a second-half recovery. This scenario was by no means without risk or assured – but was the balanced judgment of the finance ministers.

Referring to last week's market intervention by most of the main central banks, Mr Nicholas Brady, the US treasury secretary, said that this had successfully lowered the dollar by 3 to 4 pfennigs.

Mr Brady also expressed satisfaction that, since the meeting of G7 finance ministers last January, their objective of lowering interest rates was beginning to be achieved. Both Japan and the UK had reduced their rates, while German rates had remained steady.

"I hope that fiscal and monetary policies with the aim of lowering interest rates will continue to be pursued," Mr Brady said.

IN BRIEF

Kohl and Bush focus on environment

THE environment was the lead item during the bilateral meeting yesterday between Mr Helmut Kohl, the German chancellor, and President George Bush, writes Rachel Johnson. Mr Kohl requested that the G7 committed itself to "deeds not words" ahead of the Earth Summit in Rio de Janeiro next June, which Mr John Major, the British prime minister, is to urge all G7 leaders to attend.

Mr Kohl brought up the issue of the pilot project for the conservation of the Brazilian rainforest, which the G7 commissioned at the Houston summit last year.

The first phase would require $250m (£156m), Mr Kohl said. He argued for a US contribution to the project.

The project is costed by its authors – the World Bank, the European Community and the Brazilian government – at $1.56bn over five years.

D-Mark value 'too low'

Currencies and interest rates are not expected to play a significant part in this week's summit discussions. But that did not stop Mr Dietrich Vogel, the German government spokesman, trying to talk up the D-Mark, writes Peter Norman.

Mr Vogel said that the D-Mark, having lost 10 per cent in value against the dollar since last year's Houston Summit and 20 per cent since the beginning of this year, no longer reflected the fundamental strength of the German economy.

Bonn pitch for investment

Chancellor Kohl is trying to drum up Japanese investment in the former East Germany, writes Peter Norman.

At his meeting with Mr Toshiki Kaifu, the Japanese prime minister yesterday, Mr Kohl pointed out that one day – after the EC has expanded northwards and to the east – the new Länder, or states, would be in the centre of Europe and not at the periphery. The Japanese seemed impressed. A delegation from the Keidanren, the Japanese employers' body, will visit eastern Germany this autumn.

DEMANDING SCHEDULE FOR GORBACHEV

FROM the time Mr Mikhail Gorbachev's aircraft lands at Heathrow just before 9pm on Tuesday until his departure near lunchtime on Friday, the Soviet president will be at the centre of a whirlwind of diplomatic activity. His confirmed meetings to date include:

WEDNESDAY JULY 17

0800 Breakfast with French President François Mitterrand.
1100 Sees Japanese Prime Minister Toshiki Kaifu.
1300 Working lunch with US President George Bush at Winfield House, US ambassador's residence. The two are expected to discuss the treaty to reduce long-range nuclear weapons (Start) and prospects for a superpower summit later this year in Moscow, as well as economic and other issues.
1405 Arrives at Lancaster House for meeting with G7 leaders.
1810 Press conference at Queen Elizabeth Press Centre.
2025 Arrival at 10 Downing Street for dinner with G7 leaders plus EC president Jacques Delors and Dutch prime minister Ruud Lubbers, current president of the EC Council of Ministers.

THURSDAY JULY 18

0900 Meets Italian prime minister Giulio Andreotti at Soviet ambassador's residence.
0930 Meets Canadian prime minister Brian Mulroney.
1100 Starts official UK visit with UK prime minister John Major at 10 Downing St.
1330 Working lunch with officials.
1730 Press conference at Downing Street.
1830 Mr and Mrs Gorbachev meet the Queen before attending performance of Cinderella at Royal Opera House.
2130 Working dinner.

FRIDAY JULY 19

0830 Meets Mr Neil Kinnock, leader of opposition, followed by meeting with former UK prime minister Mrs Margaret Thatcher before departing for Moscow.

Soviet leaders put their faith in an imperfect blueprint

Peter Norman and **Anthony Robinson** on hurdles to economic re-integration

MR Vladimir Shcherbakov, Soviet first deputy prime minister and finance minister, was disarmingly frank. "Criticism that the latest Soviet economic proposals [set out in a 23-page letter to G7 leaders] has not moved far enough from the planned economy are not entirely unjustified. It would be naïve to assume that we could live in a planned system for 73 years and just plunge into another.

"But if you look at our plan in a strategic sense it is clear the direction in which we are going."

His words at the Soviet embassy yesterday reflect the Soviet attitude that tomorrow's meeting between President Mikhail Gorbachev and G7 leaders marks the historic start of a long process of closer co-operation with the west, leading to long-term re-integration into the world economy.

The proposals put forward this week may not be perfect, the Soviets believe, but they are the culmination of a rapid evolution in Soviet economic thought whose trajectory can be traced in the nine economic plans written and superseded over the last two years. The learning curve has been steep, and continues.

But President Gorbachev's letter has highlighted the gulf of incomprehension that still exists between Moscow and western capitals on matters economic. Although G7 officials have been encouraged by the Soviet Union's wish to move towards a market economy, the lack of detail in the paper and some of the assumptions behind it have caused considerable concern.

Proposals for debt restructuring are a case in point. The paper refers to the need to restructure the Soviet Union's $65bn (£40bn) foreign debt. But western officials say there seemed to be little recognition on the Soviet side that this would be a serious step that could destroy Soviet creditworthiness. They also find such proposals difficult to understand in view of the Soviet Union's large gold reserves and vast natural resources.

"Rescheduling is a very serious matter," said Mr Taizo Watanabe, a Japanese government spokesman, yesterday. If the Soviet Union chose that option it could experience great difficulties in attracting new foreign capital.

According to officials familiar with the letter, it was unclear whether the Moscow authorities realised these implications or whether Moscow understood the distinction between official and commercial bank debt.

Another Soviet idea is the creation of a currency stabilisation fund, similar to that successfully raised by Poland, to accompany plans for internal convertibility of the rouble. In London yesterday Mr Shcherbakov suggested that $10bn-$12bn would be required. UK government officials argue that the Soviet Union should enact a macro-economic stabilisation plan first.

UK officials are also unhappy about Soviet ideas for large-scale privatisation without apparently providing for a stock market to trade shares.

An important part of tomorrow's meeting with Mr Gorbachev will be to establish how far he and his aides are aware that moving to a market economy will not be an easy option.

If the Soviet leader is aware of the problems, helping him will be that much easier.

The Soviet side, meanwhile, has anticipated western demands for dramatic cuts in Soviet military spending and aid to countries such as Cuba. "President Gorbachev paid special attention to the sections dealing with the conversion of military to civilian industry," according to Mr Shcherbakov, who is tipped by Soviet insiders as a future prime minister of a revamped Soviet government.

"Some 400 defence plants have been selected for total conversion and we want to involve 80 per cent of the entire defence industry in partial conversion. Between 1988 and 1991 we cut military procurement by 26 per cent. We intend to accelerate this.

"Meanwhile our relationship with Cuba and other countries has also changed in recent years. We certainly would not support any anti-US initiatives by Cuba," he added.

As to what would happen if Mr Gorbachev went home with empty hands, Mr Shcherbakov was again philosophical. "Whether we receive western support or not we have chosen our way. We are not going back to the command system. But without help the risks involved will be greater for everyone, the pace of reform will slow down and become more difficult."

Bush gets broad support for hard line against Iraq

By Robert Mauthner, Diplomatic Editor, and Mark Nicholson

PRESIDENT George Bush yesterday won the broad support of other western leaders for his threat to use military force against Iraq if President Saddam Hussein pursued his policy of developing nuclear weapons.

After obtaining French President François Mitterrand's backing on Sunday for a military intervention, if that was justified by clear evidence of Iraq's nuclear intentions, Mr Bush yesterday received a sympathetic hearing on the subject from the German and Italian leaders.

Chancellor Helmut Kohl and prime minister Giulio Andreotti, with whom Mr Bush had bilateral talks yesterday, and virtually everyone else the US had talked to, understood the need for the US to consider all options, Mr Marlin Fitzwater, the White House spokesman, said yesterday.

To underline allied support, Mr Douglas Hurd, the UK foreign secretary, said Britain was "ready to play our part" in ensuring that Iraq did not become a nuclear power. "We are not ruling out the use of force," he said in an interview with BBC television.

Mr Fitzwater made it clear, however, that Washington would not take any action until the United Nations inspection teams in Iraq had reported on Baghdad's nuclear capability and judgments had been made on the two letters Iraq had sent on the subject to the UN. "But there is agreement by virtually everyone we have talked to that, should action be necessary, that that is understandable and reasonable," he said.

UN inspectors yesterday presented their findings to the Security Council, which is expected to decide this week whether to formulate a further resolution to force full Iraqi co-operation with UN inspectors.

British and US officials in New York are working on the wording of such a resolution, which, they said, would "reinforce" the message to Iraq that it must co-operate fully with the UN teams and that should it fail to, a possible eventual recourse to military intervention was already justified in existing UN resolutions.

British officials said the determination to see absolute Iraqi compliance was shared by all five members of the UN Security Council. "The others are absolutely on board," said one official. "China and the Soviet Union have been very forceful in what they've been saying to Iraq."

Representatives of the five permanent members have given Iraq until July 25 to expose completely the extent of its nuclear programme.

Israeli-backed militia to block peace plan

By Lara Marlowe in Marjayoun, southern Lebanon

THE Lebanese government's efforts to extend its authority over southern Lebanon have encountered an obstacle in the refusal of the South Lebanon Army (SLA) – the mainly Christian militia financed by Israel in southern Lebanon – to give up its hold on the mountain town of Jezzine.

If Lebanese troops try to take the Christian town by force, the newly reunited Lebanese army risks finding itself in a war with Israel.

In an interview at the SLA's headquarters at Marjayoun, which is inside Israel's self-declared "security zone" in southern Lebanon, Dr Cesar Sakar, the aide-de-camp to General Antoine Lahd, the SLA's commander, said the pro-Israeli militia could not co-operate with the pro-Syrian Beirut government.

'The basic problem in Lebanon is the problem between Syria and Lebanon'

He also ruled out the possibility of exchanging Lebanese and Palestinians held by the SLA for western hostages.

Dr Sakar proposed three conditions for an SLA withdrawal from Jezzine.

The conditions he listed were:

- no forces other than the Lebanese army hold weapons in southern Lebanon;
- up to 40,000 Christian refugees from the region east of Sidon return to their homes;
- and Syrian influence over the Lebanese government cease.

"Let the Lebanese people settle their problems among themselves – even if they have been allowed to keep sidearms," Dr Sakar said.

"The basic problem in Lebanon is the problem between Lebanon and Syria," he added.

Although Palestinian guerrillas in Sidon and Tyre are surrendering their medium and heavy weapons to the Lebanese army, they have been allowed to keep hand guns.

Nor has the Beirut government disarmed the pro-Iranian Shia Moslem Hizbollah militia. Hizbollah this week twice launched attacks in the territory held by the SLA.

Fundamentalist Shia Moslems in Beirut have stated their willingness to release 12 western hostages in exchange for some 350 Moslems held by the SLA and Sheikh Abdul Karim Obeid, the Shia cleric kidnapped by the Israelis in 1989.

But Dr Sakar said there was no question of swapping the SLA's prisoners solely for westerners.

Some of those detained by the SLA might be freed in exchange for several SLA members and Israeli soldiers captured in Lebanon.

"But if there is no package deal including the SLA men and the Israelis, General Lahd would not consider trading just for the westerners," Dr Sakar said.

Last allies pull out of north Iraq

By John Murray Brown at *Habur Bridge on the* Turkey-Iraq border

THE LAST coalition forces left northern Iraq yesterday, marking the end of a three-month operation to re-settle 450,000 refugees who fled to the Turkish mountains after President Saddam Hussein crushed the brief Kurdish rebellion in early March.

As US A-10 Warthogs and F-16 jets passed low overhead, General Jay Garner, US commander in north Iraq, accompanied by officers and Mr Fred Cuny, mastermind of the operation, walked across the Habur Bridge into Turkey.

At its height, the allied operation involved more than 20,000 men from 13 nations. The exercise does not resolve the Kurds' political struggle with Baghdad but it provides a diplomatic and humanitarian bridgehead from which to negotiate their future.

Mr Cuny, a disaster specialist contracted by the US State Department, said the exercise could change international law. "It was the first time the UN Security Council has authorised members to intervene in a country to save lives."

Operation Poised Hammer, the allied deterrent force being finalised with Turkey, will go one step further, with the coalition threatening to use force against Iraq if human rights are abused.

With the allied withdrawal, the Kurds now look to their own Peshmerga guerrillas and Operation Poised Hammer to provide their security.

Gen Shalikashvali, who is head of the coalition forces, indicated that the threat applied to all of Iraq and not just the zone established by the allies in May close to the Turkish border.

"We're certainly not abandoning anyone," he said.

To deter future Iraqi aggression a residual force of around 3,000 troops comprising US, French and British, and perhaps Italian and Turkish, forces will be based at three sites in south-east Turkey, Silopi, Batman and Incirlik.

In addition, the allies can call on aircraft at Incirlik, and those based on the US Forrester aircraft carrier located in the eastern Mediterranean.

Gen Shalikashvali said the allies retained the right to conduct reconnaissance flights north of the 36th parallel where the allies have banned Iraqi fixed-wing aircraft and helicopters.

A military co-ordination committee which has acted as a fast channel with the Iraqis would also stay.

US troops cross Habur border point on Sunday. The pullout from Kurdish areas of Iraq into Turkey was to be completed yesterday.

UN group calls for easing of sanctions to buy food

By Mark Nicholson

SANCTIONS against Iraq should be partially lifted to prevent a human "calamity" in the country, according to a special United Nations report issued yesterday.

The report, compiled by a 20-strong team who spent five days in Iraq, says either part of its estimated \$3.5bn (£2.2bn) of frozen assets should be unlocked or Iraq be permitted to sell oil to pay for urgently needed food and medicines.

However, although the team suggested that UN safeguards could be applied to any relaxation of the embargo, imposed after Iraq's invasion of Kuwait on August 2 last year, the report is unlikely to persuade the US or Britain to lift their opposition to relaxing sanctions.

President George Bush repeated on Sunday after talks with France's President François Mitterrand that he would not lift sanctions against Iraq while President Saddam Hussein remained in power. The allies' will against relaxing sanctions has also been hardened by Iraq's recalcitrance in co-operating with UN nuclear investigators.

The humanitarian team, led by Prince Sadruddin Aga Khan, the UN envoy overseeing the humanitarian effects of the Gulf war in Iraq and Kuwait, said that Iraq's "imperative" import requirements could not be satisfied by international aid alone.

Meanwhile, Amnesty International, the London-based human rights group, separately called for the UN to set up an operation to monitor human rights abuses in Iraq in a report claiming that "countless" civilians were killed during the Shia and Kurdish uprisings crushed after the Gulf war.

Kuwait borrowing decree

By Victor Mallet, Middle East Correspondent

SHEIKH Jaber al-Sabah, the Emir of Kuwait, has issued a decree authorising the country to borrow up to 10bn Kuwaiti dinars (£21bn) on local and international markets.

The decree, published yesterday in Kuwaiti newspapers, is a formality which opens the way for detailed negotiations with potential lenders on the financing of Kuwait's post-war reconstruction plans.

Sheikh Jaber said the finance ministry would be responsible for tapping international markets.

The Kuwait Investment Authority, which is part of the ministry, is therefore likely to be in charge of the negotiations – rather than the central bank.

Kuwait is spending heavily to carry out some \$20bn (£12.5bn) of repairs to its infrastructure and to compensate Kuwaitis after the war, but its oil revenues are minimal because hundreds of oil wells were sabotaged by the Iraqis.

The Gulf war has underlined the fragility of the region's oil economies, which once produced surplus revenues for lending to other countries.

UN job 'will not be decided in London'

By Michael Littlejohns, UN Correspondent

WESTERN OFFICIALS yesterday dismissed a report that the seven big industrial powers now meeting in London would endorse Mr Butros Butros Ghali, the Egyptian deputy prime minister, for appointment as UN Secretary-General.

"This is certainly not something in the gift of the G7," one UN delegate said in New York.

By tradition, the five permanent members of the Security Council did not reveal what their votes were in the balloting. Egyptian President Hosni Mubarak nominated Mr Ghali, a Coptic Christian, for the UN post in a message to Mr John Major, British prime minister and host to the G7 summit. Diplomats said his name was one of many that had been put forward and no serious discussion about a final choice had yet taken place among the permanent members.

Mrs Gro Harlem Brundtland, the Norwegian prime minister, appeared to be a British favourite and, as a woman, could be a formidable contender, one delegate said. "Mr Ghali is impressive, but she is someone to contend with," the official added. Mrs Brundtland has voiced no public interest in the office, but that could be a tactical decision, since no secretary-general was ever a formal candidate when first elected.

Indian PM wins confidence vote

By KK Sharma in New Delhi

MR PV Narasimha Rao's minority Congress government yesterday won a vote of confidence in the Lok Sabha (India's lower house of parliament) by 241 votes to 111, and said it would take "difficult decisions" to set the ailing economy in order.

Mr Rao's victory came after a 10-hour debate and reflects a wish among the leading political parties to avoid a general election after two parliamentary polls in less than two years.

It also heralded the end of an era in which the main opposition parties have voted against the government at every opportunity.

This could lead to a period when they will consult each other on main issues and policies.

But the apparent ease with which Mr Rao won hid the fragility of the minority government: it has sought no coalition partner, preferring to run the administration on its own despite being 17 members short of a majority in a house whose effective strength is 506.

The victory became possible only because the large National Front-Left alliance preferred to abstain rather than vote against the government.

As many as 112 members abstained and the only votes against the government came from the Hindu revivalist Bharatiya Janata Party (BJP), the main opposition group in the new parliament.

Mr Rao said in his reply to the debate that the "delicate" political and economic situation facing the country was too complicated to be solved by any single party and required a consensus to be reached on all issues by all political parties.

To achieve this, he promised to initiate consultations with opposition leaders from today. "We will not ride roughshod over the opposition but will try to create areas of agreement while keeping aside areas of disagreement," he said in a conciliatory speech.

Saying the days of massive majorities for any single party were over, Mr Rao said that the recent elections showed the people had chosen the Congress to run the government again – but with the "warning" that it would not be allowed to ignore the opposition.

He said the government's new industrial policy would be announced this week, adding that he favoured deregulation and shedding of controls that had throttled the economy. The policy follows the devaluation of the rupee by about 20 per cent against the leading currencies and an announcement last week of a liberalised foreign trade policy.

NZ inflation rate at 25-year low

By Terry Hall in Wellington

NEW ZEALAND'S rate of inflation has fallen to a 25-year low of 2.8 per cent as a result of the National government's tough monetarist stance adopted after its election last November.

The 2 per cent-plus low inflation rate, down from 7.6 per cent a year ago, immediately sparked claims that that the government had adopted measures that are too harsh in the face of the deep recession which has seen unemployment soar and may have caused many business failures.

After the announcement, Mr Jim Bolger, prime minister, urged banks to drop their interest rates more quickly, and opposition leader Mr Mike Moore called for an immediate two-point cut.

However, Mr Don Brash, governor of the Reserve Bank, who has the sole task of lowering inflation, warned against immediate reductions, saying there could be room for a further easing of monetary conditions only if inflation remained positive and the budget on July 30 showed the fiscal position was sound and sustainable.

Record debt for failed Japanese companies

By Robert Thomson in Tokyo

THE outstanding debts of Japanese companies that failed in the first half of the year surged 348.6 per cent from a year earlier to a record Y3,263bn (£14.6bn), a Japanese credit research agency, Tokyo Shoko Research, said yesterday.

Higher interest rates, the fall in stock prices over the past year and a weak property market are blamed for many of the bankruptcies, which rose 60.2 per cent in number to 4,723.

For June, 902 bankruptcies were reported, up 1.2 per cent from May and including 107 property-related companies. This surpassed the previous one-month record of 104 property groups, set in December 1974.

The agency said the outstanding debts for the month totalled Y393bn, down 17.5 per cent from May, but noted that the number of companies with liabilities of more than Y10bn appeared to be rising. The largest bankruptcy so far this year was Nanatomi, a property developer and stock speculator, which had outstanding debts of Y286.3bn.

Last week, Ginza Golf Services (GGS), a golf membership dealer and property developer, filed for protection, owing Y260bn. This ensured that the value of failures for July will continue at a high rate.

The Finance Ministry has told Japanese banks to limit their property lending, putting heavy pressure on some smaller and medium-sized developers. Banks have also become more cautious in lending to ordinary industrial companies with a recent past of stock speculation.

Money supply up for first time since September

MONEY supply in Japan grew 3.7 per cent in June, compared to the equivalent month last year. This was up from a revised 3.6 per cent in May, in the first month-to-month increase since September last year, when the Bank of Japan's tighter monetary policy took effect, Robert Thomson writes.

The central bank said commercial bank lending continued at a slow pace, but actual money supply growth was higher than reported, as money was transferred into postal savings accounts falling outside the measure.

It is expected that money supply growth will increase in coming months, following the recent cut from 6 to 5.5 per cent in official interest rates, though bank officials expect the change to be gradual.

Money supply growth during the April-June quarter was 3.7 per cent – down from 6 per cent in the previous quarter. The central bank insisted that the economy remained strong and in no danger of stalling, despite the tight monetary policy to reduce inflationary and speculative pressures.

Meanwhile, the Japan Iron and Steel Federation reported that crude steel production for the April-June quarter rose 3.7 per cent from a year earlier, to 28.47m tonnes, the largest production figure for a second quarter since 1980. For the first half, crude steel production totalled 56.45m tonnes, up 4.4 per cent, on continuing growth in domestic demand.

South Korea's planners turn to the infrastructure

A task force is planning a huge spending programme for the 21st century, reports John Ridding

SOUTH Korea's economic planners have always thought big. Whether they are directing investment to build some of the world's largest steel mills and shipyards, or clocking up double-digit GNP growth rates, ambition has never been in short supply.

Now, as Korea nears the ranks of industrialised nations, such grandiose thinking is being applied to upgrading its infrastructure. A special task force, appointed by President Roh Tae Woo, is co-ordinating a massive programme aimed at laying the foundations for economic and social development in the 21st century.

The scale of the programme is striking. By 2030, the government aims to increase the total length of South Korea's roads from 56,700km to 400,000km, and that of its underground railways from 144.1km to 495.2km. Sixty new power stations are to be built by 2001. Two new airports, a high-speed railway system, several new ports and expanded waterworks are also on the drawing board.

The fiscal boost involved in such a spending programme will fuel Korea's already rapidly expanding economy and increase efficiency of production and distribution. Perhaps more important, by improving living standards, it will help repay some of the social costs of the country's rapid economic development since the 1960s.

The scale of the plans reflects to a large extent the scale of the problems facing Korea's groaning infrastructure. A journey from Seoul to the south-eastern port of Pusan takes twice the seven hours it did in the 1980s because of the rapid increase in traffic congestion. Ships seeking to unload their cargo at Pusan, or the western port of Inchon, now have to wait 60 to 90 hours on average. Electricity shortages are forecast for this summer.

The costs of these bottlenecks are high. "The infrastructure problem is very serious," says Mr Kim Ho Shik, one of the senior officials of the presidential task force. "It is a burden on industry and reduces international competitiveness."

The numbers are difficult to estimate. The Korea Transport Institute, a government-backed think tank, says that the congestion on Korea's roads costs Won2,000bn (£1.7bn) a year in lost time, production and energy costs.

"If we don't do anything, then the average speed of cars in Seoul will fall from 16 kph now to 10 kph by 1996 and to 8 kph by 2001," says Mr Kim, who predicts a rise in the number of cars from 3.4m to 12m by the end of the century.

The gravity of the situation – evident in varying degrees in the other rapidly developing economies of eastern Asia – is largely the result of previous neglect combined with annual economic growth rates of about 10 per cent since the mid-1960s.

"In the early 1980s, infrastructure was very much under-invested," says Mr Son Jae Young, an economist at the government-backed Korea Development Institute. He argues that such under-investment was a deliberate policy of the administration of President Chun Doo Hwan, determined to keep inflation low.

Ten years on, the choice facing policy-makers remains the same. "We have a choice between price stability or the development of our infrastructure," says Mr Kim of the social planning task force. "If we choose tight control of inflation, then we lose the opportunity for sustained economic growth."

Estimates of the inflationary impact of the programme of infrastructural spending vary widely. The KDI estimates that, if financed predominantly by government bonds, it will add only one percentage point to annual inflation rates. Others, however, noting the already overheated construction sector and shortages in staff and materials, believe the impact will be much higher.

However, inflation is by no means the only problem. There is also the issue of financing the expenditure which, by the mid-1990s, will represent 5 per cent of GNP. From now until 2000, something in the region of Won14,600bn will be spent annually on the various infrastructure projects.

Much of the financing will come from two main sources – the government's big budget surplus and the issue of bonds. "But we want to avoid the budgetary problems encountered by the Japanese government as a result of their heavy issue of bonds in the 1970s," says Mr Moon Hyung Pyo, an economist at KDI.

Another problem for government planners is the sharp increase in the cost of acquiring land and the difficulties resulting from Korea's newly democratic trend.

An expressway built in 1985-87 cost Won10.5bn a kilometre – 16 per cent of that on the acquisition of land. For an expressway started last year, by contrast, the cost is forecast at Won27bn per km – 63 per cent on buying land.

Also, it is now harder to persuade ordinary Koreans to part with their land for public works projects than it was in the days before the democratic government of Mr Roh.

Even so, as Korea's transport arteries harden, as power stations struggle to supply energy demand and as waterworks have difficulty in quenching Korea's thirst, the task of upgrading infrastructure can no longer be delayed.

"In retrospect, we can say that it was one of the biggest weaknesses in our development strategy to have neglected infrastructure in the 1980s," says one senior official at the Economic Planning Board, the top economics ministry. "Now it is much more expensive, and much more more difficult."

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THE BCCI SHUTDOWN

Councils rejected treasury guidelines

By Tracy Corrigan

AN OFFER by the Audit Commission, the local authority watchdog, to set down treasury management guidelines for local councils following the Hammersmith and Fulham swaps case was turned down earlier this year. Councils said they would prefer to produce their own code of practice, now in preparation under the aegis of the Chartered Institute of Public Finance and Accountancy (*Cipfa*).

With 35 councils facing losses totalling around £65m following the closure of BCCI, the issue of local councils' treasury management has re-emerged. Two councils have called on the Audit Commission to check that proper procedures were followed in their dealings with BCCI. "There is no suggestion that the councils were acting *ultra vires*" said Mr Howard Davies, the Audit Commission controller. They were ruled to have acted *ultra vires* (outside their powers) in the case of interest rate swap transactions. However, dealings could be found to be imprudent, or to have lacked the necessary authorisation.

Meanwhile, UK local authorities facing losses are to meet in London on Thursday to agree a plan of action and appoint a steering committee.

The main issues to be discussed at the meeting will include:

● How to lobby the government for a bail-out, or, failing that, some other form of support, and whether to demand a public inquiry.

● Whether to sue the moneybrokers through which the councils dealt, or the Bank of England, which authorised BCCI. The money brokers are considered the more likely target, particularly since it has emerged that some brokers advised clients not to deal with BCCI. The meeting will also discuss whether to seek a meeting with the Bank of England next week.

The meeting is organised jointly by the Association of District Councils, the Association of Metropolitan Authorities, the Convention of Scottish Local Authorities and Cipfa.

The ADC will meet organisers of BCCI small creditors' group on Wednesday.

The ADC had met with the Bank following the collapse of Chancery and Edington banks earlier this year, and was given reassurance that councils would not be vulnerable to further such losses.

Also under discussion at Thursday's meeting of councils will be measures to restrict dealings with smaller financial institutions.

"I doubt whether any local authorities will be putting money into anything approaching a fringe institution," said Mr Martin Pilgrim, under-secretary for finance at the AMA. The AMA sent a letter on May 13 to local authorities cautioning that not all authorised dealers were necessarily reliable, he said.

WESTERN ISLES

Money broker defends its advice

By James Buxton and Richard Waters

THE MONEY broker at the centre of the dispute over the way Western Isles council deposited £23m with BCCI spoke out for the first time yesterday to deny accusations that it had "strongly advised" the council to use the bank.

Pressure on the broker, RP Martin, intensified after accusations from the finance director of the Scottish local authority that it and BCCI had assured council officials of BCCI's creditworthiness at separate meetings last summer.

Mr Donald Macleod, the finance director, said that RP Martin "strongly recommended" the council to place its surplus balances with BCCI at a meeting with council officials on September 5 1990, which was called after one official expressed misgivings about the council's involvement with BCCI.

The meeting was attended by Mr Iain Macleod of RP Martin – Mr Donald Macleod's second cousin – and Mr Norman Scott, an official of BCCI in Scotland, held separate meetings in Stornoway on the same day, a council official said last night. They travelled together.

Mr Ron Sandler, chief executive of RP Martin, refused to discuss the meeting yesterday. But he said: "We do not give advice or comment on the creditworthiness of institutions. The [Bank of England] code under which we operate makes it clear that it is the council's responsibility to determine the creditworthiness."

Mr Donald Macleod revealed the meetings with RP Martin and BCCI in a confidential document issued to councillors last Thursday.

"RP Martin strongly recommended we use BCCI and we accepted that advice. All our dealings with BCCI were carried out with RP Martin and so they were well aware of our exposure to the bank. The lodging of an additional £1.6m on Friday July 5 through RP Martin testifies to their continued confidence in the bank."

CAYMAN ISLANDS

Assets of linked companies frozen

By Bernard Simon in Grand Cayman

AUTHORITIES ON the Cayman Islands have frozen the assets of eight companies suspected of having links with BCCI.

The injunctions against the eight are in addition to a governor's order appointing a receiver for BCCI and its two related banking entities, Credit and Finance Corporation (CFC) and International Credit and Investment Company (ICIC).

The order against the eight companies was made on July 5, the same day the bank's assets were seized.

Five of the companies have the letters ICIC in their names and appear to be associated with the BCCI affiliate. ICIC, which specialised in trade, finance and merchant banking, is not directly controlled by BCCI, but by a charitable trust thought to have links with it.

The other three companies – Financial Controls Cayman, Financial Portfolios Cayman and Financial Measures Cayman – which seem to be "realisation companies". They apparently acquired problem loans from the bank, thereby removing them from its balance sheet.

The loans were sold to the companies at discounts to their face value. It is not yet clear who decided what price should be paid for the assets.

No details of the companies have been publicly disclosed, in accordance with the Caymans' strict secrecy laws. As is normal practice on the islands, the application for the injunction was heard in judge's chambers, rather than in open court.

The court records are also confidential.

Employees prepare to sell up and leave

By Bernard Simon

SOME PAKISTANIS employed by BCCI in the Cayman Islands have begun selling their belongings in anticipation of having to return home with little or no financial support.

According to one of about 20 Pakistanis working for the bank, several of the group have their entire savings in BCCI accounts.

One employee said his colleagues are resentful towards the Bank of England for organising the seizure of the bank's assets before Sheikh Zayed bin Sultan al-Nahyan of Abu Dhabi, its controlling shareholder, was able to complete a planned recapitalisation.

The 70 employees of BCCI's operations in the Cayman Islands have been warned by the receiver that they face instant dismissal if they talk to outsiders about the bank's activities.

Most expatriate bankers in the Caymans form a close-knit community, but senior BCCI executives had little business or social contact with their counterparts at other banks.

One of the Caymans' most prominent bankers said that he had met Mr Bandee Hassan, general manager of BCCI's local office, only twice in the past year. *Mr Hassan* led a restructuring of the Cayman operations as part of the recent worldwide reorganisation.

The seizure of BCCI has come at an awkward time for the Cayman Islands. New laws, a treaty with the US and tighter banking practices have supposedly made it more difficult for banks and their customers to engage in practices similar to those which BCCI has been accused of.

Not only is it an offence under Cayman law to launder or assist in laundering drug money, but banks are also obliged to report suspicious accounts to the police.

The Mutual Legal Assistance Treaty with Washington, which came into force two years ago, compels Cayman-registered banks to supply information within 10 days on suspicious accounts pinpointed by the US authorities.

SPECTRUM International, a London radio station which raised £47,000 for the Bangladesh flood appeal, banked the entire amount with BCCI. The money was in the process of being transferred to Bangladesh but was frozen when the bank was closed down by the Bank of England in an unprecedented swoop on July 5, Khozem Merchant writes.

Spectrum, which broadcasts in 11 languages to a target audience of some 2.5m people of ethnic origin in London and south-east England, raised the money earlier this year, mostly from small individual donations by listeners. The money would have gone towards building a cyclone shelter near Chittagong, along Bangladesh's coast. Some 130,000 people died as a result of the cyclone in April.

Spectrum's appeal was made through its Asian news and current affairs programmes such as the one presented by Mr Asaf Gazhali (above), pictured at Spectrum's studios yesterday.

"It was a magnificent community outpouring from our listeners," said Mr Shafik Rehman, founding director and head of the station's Asian programme section.

The BCCI closure and likely loss of most of the contributions to the Bangladesh appeal is the latest in a series of setbacks for the station.

Spectrum had difficulties when it launched in June 1990. Radio Caroline, the pirate station, jammed its frequency and forced it to broadcast from transmitters in west London. Those difficulties forced away advertisers and, having spent some £500,000 on its launch, Spectrum paid dearly for the flight of advertising.

Today the station is in debt and has a £170,000 overdraft – with BCCI.

COMMONS

MPs urge changes to banking rules

By Ivo Dawnay and Ivor Owen

PRESSURE WAS mounting on all sides of the Commons yesterday for changes to banking regulations to prevent a repeat of the BCCI affair.

Conservative and Labour MPs from urged ministers to examine the creation of an intermediate stage for intervening in a bank's affairs calculated to warn of difficulties without provoking a run on its deposits.

The call came as the powerful Treasury and Civil Service Committee confirmed it would consider calling for an inquiry into the Bank of England's handling of BCCI at its meeting tomorrow.

It remained unclear, however, whether the committee would call Mr Robin Leigh-Pemberton, governor of the Bank, to give evidence or whether it would pursue a broader investigation into the handling of bank registration and surveillance.

At the request of MPs, Mr Leigh-Pemberton is due to visit Parliament on Thursday to discuss what measures can be taken to help bank depositors and staff in the wake of the BCCI close-down.

Sir Ian Stewart, Tory MP for Hertfordshire South and a former Treasury minister was among those urging the introduction of new regulations.

Call for enforced insurance cover

RULES governing the insurance requirements of financial institutions should be tightened in the wake of the BCCI collapse, said Mr Francis de Zulueta, a director of broker Special Risks Services.

He said it should be compulsory for all financial institutions to buy both fidelity insurance, which compensates for theft and in some cases fraud by the employees, and professional indemnity insurance, which can cover legal liabilities resulting from negligence of the directors and officers.

LEGAL ADVICE

Support groups offer services to depositors

By Chris Tighe and Khozem Merchant

THE ILL WIND of BCCI's collapse looks set to bring plenty of business to firms of solicitors who have been quick to offer their services to distraught depositors.

Within days of BCCI's closure, several UK firms of solicitors had set up special telephone help lines, some manned by lawyers able to tackle inquiries in Urdu, Gujerati, Hindi, Punjabi and Kiswahili.

A number of support groups, offering comfort, advice and the hope of compensation are in the process of formation in Britain, initiated either by solicitors or by depositors and their friends, including members of the hard-hit Asian business community.

Mr David Pine of Alexander Tatham, the Manchester solicitors who spearheaded the successful Barlow Clowes investors compensation fight, said yesterday he believed the various BCCI support and pressure groups, including local authority investors, would be more effective if they united nationally under one banner.Mr Pine's firm is organising a meeting of BCCI depositors on Thursday at Manchester Town Hall to set up a National BCCI Depositors Action Group.

Mr Pine sees BCCI's closure as a prime example of a "niche area" in which his firm has developed expertise. However he concedes: "We aren't doing this out of charity."

At Richards Butler, the City of London solicitors who are forming a BCCI Depositors' Protection Group, Mr Mourad Fleming said he favoured liaison between support groups, but not amalgamation. Mr Fleming, whose firm is offering initial advice to BCCI depositors for a £200 "flat fee", says different BCCI clients might have opposing interests.

Both he and Mr Pine agree that talk of suing the Bank of England is probably ill-conceived; under the 1987 Banking Act, the Bank is immune from civil action in its regulatory role, unless bad faith can be proved.

Mr Pine's objective, shared by most of the other groups, is to force the setting up of an inquiry into the Bank of England's handling of the affair.

If its report were critical of the Bank then that, it is argued, could well force the government substantially to improve compensation terms.

WORLD ROUND UP

Carter charities got $8m gift from bank

US: SEVERAL charitable organisations established by former president Jimmy Carter received $8m of donations from BCCI, Lionel Barber in Washington writes.

The $8m in contributions were made to Mr Carter's Global 2000 Inc, which he set up to improve health and agriculture in the third world.

The donations came over several years in the 1980s, and included a $500,000 contribution towards the non-profit Carter Centre of Emery University in Atlanta, Georgia.

The New York Times reported that BCCI also retained Mr Andrew Young, US envoy at the United Nations during the Carter administration, as a consultant while he was the mayor of Atlanta.

There is no suggestion that Mr Carter performed any services for BCCI or that he personally received money from the bank.

Mr Young enjoyed a long-standing business relationship with the founder of BCCI, Mr Agha Hasan Abedi.

Mr Young told the New York Times that he supported Mr Abedi's efforts through BCCI to donate money which helped African and Asian governments in agricultural projects and to stimulate interest in a free market economy.

AFRICA: The African Development Bank (AfDB) may have as much as $20m (£12.4m) frozen in BCCI, a senior AfDB source said yesterday.

"It's not peanuts, but the bank can cover it. It will not affect the bank's day-to-day operations," he said.

The AfDB, which has 51 African and 25 non-regional members, finances projects throughout the continent.

The senior source said the bank had been withdrawing funds from BCCI for some time. "There may have been up to $20m left in various accounts," he said.

The bank is sending a delegation to London to try to rescue some of its funds which were blocked in the BCCI collapse.

DUBAI: The closure of BCCI is frightening many Gulf depositors into switching funds away from local banks to foreign-owned banks, bankers said.

Confidence has been upset by confusion over the impact of the BCCI affair on local banking, and reticence from the central bank of the United Arab Emirates, which is based in Abu Dhabi where the ruling family has a majority holding in BCCI.

WORLD TRADE NEWS

LSI and Sanyo accord on HDTV components

By Steven Butler in Tokyo

THE joint development of sophisticated electronic components for Japan's high definition television (HDTV) system has been agreed by LSI Logic, the US semiconductor manufacturer, and Sanyo Electric, the Japanese consumer electronics company.

The co-operation between the US and the Japanese company will help to meet goals highlighted in the recent semiconductor agreement reached between the US and Japanese governments, as LSI will be able to participate in the design phase of a new product, a device for decoding satellite signals for HDTV.

Foreign electronic and car component makers have complained that they are unable to compete against Japanese suppliers because they have in the past been excluded from the design process.

Mr Masaru Yamano, Sanyo vice president, was insistent that Sanyo had the capability to develop integrated circuits needed for the devices internally. He said, however, that agreement would help fulfil goals in the US-Japan semiconductor pact and that working with LSI would allow for a more efficient use of Sanyo's internal resources.

"It is in our long term interest to have a strategic partnership with people who can address those markets [in the US and Europe]," he added.

The aim of the companies is to reduce from 40 to between 6 and 10 the number of essential components now needed for decoding the Japanese standard MUSE HDTV signals. This would cut by three-quarters the size of the circuit boards, and halve costs.

This is accomplished by squeezing more circuitry onto specially designed integrated circuit chips, known as application specific standard products or ASSP.

Sanyo is to develop the circuitry for the devices and specify simulation testing standards. LSI in the US will design the chips and make prototypes, while the chips will be mass produced at LSI's Japanese affiliate, Nihon Semiconductor, in Tsukuba.

Sanyo intends to use the product in its own televisions and to sell the decoders to other television makers. LSI will market the chips through its own sales network. The MUSE decoder is expected to be on the market in the second half of 1992.

The aim is to bring down the cost of HDTV sets to a point where mass production can further reduce costs and build volume sales.

Japanese HDTV accord, Page 11

Australian telecoms bids go in

By Emilia Tagaza in Canberra

THREE groups put in their bids yesterday to be Australia's second telecommunications carrier. The government is expected to choose between them by the end of the year.

Dominated by US companies, the groups are the survivors from 37 which initially expressed interest in challenging Telecom-OTC's monopoly.

Optus Communications, a consortium originally formed by Cable & Wireless and BellSouth of the US, has opted for 51 per cent Australian ownership and announced that it had taken on as local partners the insurance giant AMP Society and National Mutual, the conglomerate Mayne and Nickless, and the venture capital company Australian Industry Development Corporation.

The Kalori Communications group, comprising Bell Atlantic and Ameritech of the US and the Hong Kong-based Hutchison, plans to sell 51 per cent to Australian companies over five years from the date the licence is issued. It would also invest at least A$4bn (£1.9bn) in a network and infrastructure over seven to eight years.

Optus Communications said it would invest more than A$4bn in the first five years of operations. The consortium would also spend about A$250m in developing an advanced operational support system to provide maintenance and quality control support for its proposed operations.

Malaysian hydro-power loan agreed

By Lim Siong Hoon in Kuala Lumpur

TENAGA Nasional, the electricity monopoly in peninsular Malaysia, has secured a M$1.34bn (£299m) credit for its largest hydro-electric project, Pergau.

The loan, which has taken 10 months to negotiate with UK financiers, is for 14 years at 0.809 per cent. Syndicated by J Henry Schroder Wagg, it is provided by a dozen UK banks and backed by Britain's Export Credit Guarantee Department.

The M$1.82bn construction contract for Pergau was signed on Friday with a consortium of two UK groups, Balfour Beatty and Cementation, and Malaysia's Kerjaya. Tenaga is funding the M$480m balance.

Financing Pergau has been complicated by Tenaga's planned change from its crown corporation status to a private entity. The utility is at present state-owned. However, at least 25 per cent is scheduled for flotation next May.

Pergau is the largest single UK private financing of a Malaysian project since the the early 1980s, when the Kuala Lumpur government operated a "buy British last" policy. For Tenaga, it provided the first test of its asset standing and financial performance as a putative private corporation.

The hydro-electric station is scheduled to start generating with 600MW in installed capacity in March 1996; repayment starts soon after. It will have a 74-metre-high earthfill dam linked by 29km of tunnels to an underground power station.

Portugal chooses group led by GdP for gas projects

By Patrick Blum in Lisbon

THE Portuguese government has selected an international consortium led by Gas de Portugal (GdP) as its favourite candidate for the concession to build and manage a liquefied natural gas terminal and primary high pressure gas pipeline.

The consortium, which includes Gaz de France, Ruhrgas of Germany, Total, the French oil company, and two Portuguese groups as well as GdP, proposed investments of Esc102.2bn (£402m) for the project - part of a large programme to bring natural gas to the whole region extending from Setubal, south of Lisbon, to Braga in the north.

It was favoured over a consortium led jointly by Enagas of Spain and Snam of Italy which have as holders of a 51 per cent majority taken legal action against the government for what they claim were irregularities in the selection process. The consortium also includes Petrogal, the Portuguese oil company, which has dissociated itself from the legal action, Elf Aquitaine, the French oil group, and several Portuguese partners.

Further talks will take place with the GdP group over details and terms of a final contract, Mr Luis Fernando Mira Amaral, the industry and energy minister, said yesterday. In a first phase, Sonatrach, the Algerian oil and gas group, will supply the LNG for the plant to be located in Setubal.

A decision on concessions to build and manage four related regional secondary gas pipelines to supply homes and industry is likely to depend on the outcome of negotiations over the terminal contract.

● British Gas has taken a 20 per cent stake in Engigas, a new Portuguese gas engineering company, with an eye to engineering contracts related to the natural gas programme.

This investment is relatively modest at £150,000 but it will place the company in a strong position to compete for contracts flowing from the natural gas project.

S Korea's US market share drops

By John Ridding in Seoul

SOUTH Korean exporters are losing market share in the US, their single largest market, because of quality problems and reduced price competitiveness, according to the state-backed Korea Trade Promotion Corporation.

In a report released yesterday, Kotra said that South Korea's share of US imports slipped to 3.4 per cent in the first four months of this year. This compares with 4.6 per cent in 1988, 4.2 per cent in 1990 and 3.7 per cent last year.

A spokesman for Kotra said that Korean automobiles and electronics fell short of the quality of Japanese products in the US market and that more labour-intensive exports – such as textiles, shoes and toys – were facing tough price competition from developing countries such as China and Mexico.

"When we started exporting passenger cars in 1987, the price difference with comparable American and Japanese vehicles was about $2,000 (£1,240)," said the spokesman. "But now the gap has fallen to about $600, and consumers don't think it is worth buying Korean any more."

The decline in Korean exports to the US, in which shipments fell from $5.8bn in the first four months of 1990 to $5.2bn in the equivalent period this year, is expected to bring bilateral trade to near balance for the year as a whole.

The ministry of trade and industry in Seoul is forecasting annual exports to the US at $19.9bn, and imports of a similar level. This contrasts sharply with the large trade surpluses accumulated by Korea over recent years.

In 1987, its trade surplus with the US totalled $9.55bn – last year $2.42bn was recorded.

In the second half of this year, however, Kotra is forecasting a recovery in exports to the US and an improvement in the country's share of total US imports.

"We expect the exchange rate to depreciate from 730 won to the dollar to 740 won, which will improve our margins and competitiveness," said one Kotra official.

Poland may halt talks on association with EC

By Christopher Bobinski in Warsaw

POLAND is ready to suspend talks on an association agreement with the European Community if Brussels fails to make concessions on financial support and access for Polish food products to its market.

The Poles, who ended a sixth round of talks in Brussels last week, are hoping that a meeting of EC foreign ministers at the end of this month will produce a change in the Community's negotiating position.

Mr Andrzej Olechowski, a deputy trade minister, said yesterday, that if the results of this meeting "were to prove very discouraging for us then that would be a moment for renewed reflection on both sides with no point in sitting down to our (next) round in mid-September."

The main stumbling blocks are access for Polish meat products to the EC as well as the provision of Polish labour for such intensive services as construction and financial support for Poland's economic changes.

The Poles have, however, noted progress in the EC's position on access for textiles and industrial products.

The key issue for the Polish government, which is coming under pressure from its own farmers, is to find an outlet for its food products.

It has proposed that the EC liberalise access over a ten-year period but Brussels has yet to accept this proposal for discussion or make its own offer.

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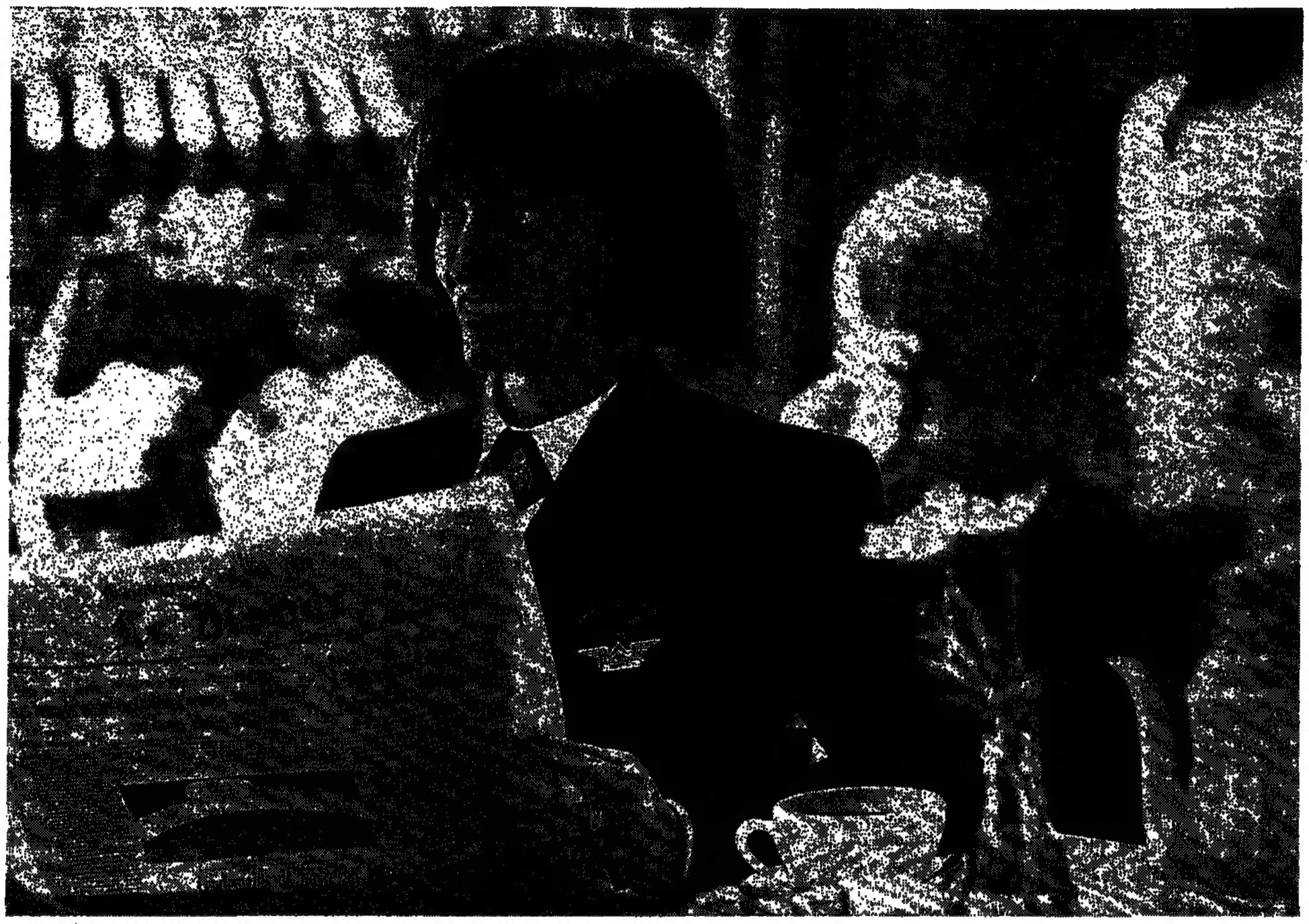

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Labour launches purge against Militant

BRITAIN's opposition Labour party last night launched its biggest purge yet of left wing supporters of Militant Tendency, the Marxist splinter group, which has been accused of undermining the party's moderate leadership.

Yesterday's move, agreed at a meeting of the party's organisation sub-committee in London, also took the first steps to remove Mr Terry Fields, the left-wing MP jailed last week for refusing to pay his poll tax, as a candidate in the next general election.

Party leaders have demanded a full report on the "activities and political affiliations" of Mr Fields, who represents the Broadgreen constituency in Liverpool, north west England.

It also suspended 62 Labour Party members who backed Ms Lesley Mahmood, the left-winger who stood against the party's official candidate in this month's Walton by-election, also in Liverpool.

The 62 party members have been suspended from holding any office within the Labour Party for supporting Mrs Mahmood.

An inquiry, not confined to Walton, will also be conducted into the "operations of Militant and activities and support for that organisation".

This is only the start of Labour's crackdown on Militant within its ranks and more names are expected to be put forward later.

In another development, Labour suspended its constituency party in the Merseyside seat of Birkenhead and endorsed Mr Frank Field, the moderate sitting MP, as its general election candidate.

The sub-committee, meeting at Westminster, passed a motion calling on Ms Joyce Gould, its director of organisation, to "investigate the activities and political affiliations of *Mr Terry Fields*".

She will report to the next meeting of Labour's ruling national executive committee on July 24 "on whether he has undertaken actions which, prime facie, constitute a breach of any of the rules of the Labour party'"

Labour officials pointed out that any evidence that Mr Fields has broken party rules means he will face a disciplinary hearing before the party's national constitutional committee and be suspended immediately.

Under Labour party rules, a suspended person cannot fight a general election. In the event of an election being called during any suspension of Mr Fields, the national executive committee would have to impose a candidate in Broadgreen.

The inquiry into Mr Fields will examine his full record as an MP, not just his failure to support publicly the official Labour candidate in the neighbouring Walton by-election.

But Dennis Skinner, the veteran left-wing MP, attacked the move. "I don't believe in witch-hunts, I don't believe in McCarthyism," he said.

The committee, meanwhile, passed a motion calling for "immediate discussions with the parties in Liverpool on the re-building of the party".

The 62 suspended party members come from a range of constituencies on Merseyside and beyond. They are: 22 from Liverpool Walton, 12 Liverpool Mossley Hill, 12 Liverpool Broadgreen, three Liverpool West Derby, two Liverpool Garston, four Manchester Withington, and seven from a variety of constituencies including Brighton, Glasgow, Colne Valley and Newcastle.

Enemies within tarnish Labour's image

Ivo Dawnay finds that the extreme left remains an irritant to opposition party leaders

NEARLY six years after Mr Neil Kinnock denounced Militant tendency and the hard left from the rostrum of the opposition Labour party conference in Bournemouth, on the south coast of England, the witch hunts go on.

Yet, despite the strenuous efforts of the party to rid itself of its enemies within, including yesterday's suspension of party members, the very fact that the process is continuing to provide headlines is an understandable irritation for Labour's image makers.

In the House of Commons yesterday, Mr Chris Patten, the Conservative party chairman, once again seized an opportunity to paint a familiar picture of an opposition seething with subversive factions, only just beneath its tranquil surface.

"The result in Walton [Liverpool] reminded us of the extremism which is still rife and which we were told years ago had been rooted out, but still appears to be there," he said.

In fact, the result at this month's Liverpool Walton by-election told much more about the lethargy of Labour voters and, it could be added, the failure of the Tories to make any headway in a city widely deemed to be a socialist disaster area.

The outcome – 23,000 votes for official Labour, less than 3,000 for the broad left and a lost deposit for the Tories – was hailed by Labour as finally burying Militant, the extreme left wing of the party.

But this ignored the fact that many local activists, not members of the entryist group, worked for the rebel candidate.

Few Tories nowadays deny that Mr Kinnock's relentless pursuit of his quarry has largely rooted out dissent both in the parliamentary party in Westminster and throughout most of the party in the provinces. But none would suggest so publicly.

Thorn in the flesh: protestors claim Labour leaders are conducting a witch-hunt

Mr Patten is well aware that raising the spectre of the so-called reds under the bed could win over crucial votes in Tory marginals that might even yet decide the election.

Labour tacitly agrees. While demographic changes – the emigration of the traditional Labour vote and the "yuppyfication" of the inner suburbs – are perhaps more important, the political pollution that emanates from someLondon boroughs is significant.

Astonishingly, for example, experienced Labour organisers believe that Battersea, south London, with a Tory majority of just 857 or 1.8 per cent of the vote is all but unwinnable now due to the disastrous impact of its spendthrift and radical neighbour.

"Our gains in London are likely to come in the outlying areas where we have level-headed council leaderships," one former leading light of the London Labour party said yesterday. "In some inner areas, the vote is going away from us."

For the Labour leadership, the quandary lies in how best to tackle the problem of extremists while at the same time claiming that the problem really no longer exists.

The fact remains that, like weeding a garden, the pruning of the ultras appears to be an endless process and consequently endlessly undermining.

Both Mr Kinnock and officials at the party headquarters believe there is no alternative but to use the draconian powers imparted by the rule book to stamp down hard now in the hope that mass expulsions will provoke "the party within the party" to set up separately.

Despite howls from the left, yesterday's decision to suspend the constituency leadership in Birkenhead on Merseyside was further evidence that no mercy remains the policy, even if that means expelling non-Militants.

There will be little sympathy too for those that dared to back Ms Lesely Mahmood, the so-called "Real Labour" rebel in Walton.

Throughout the campaign, the official party demonstrated its deadly seriousness by photographing and noting any party member seen displaying Mahmood posters or canvassing on her behalf.

"The cardinal sin in any party is to run against it in an election," one national executive member said yesterday.

"They cannot be forgiven."

BRITAIN IN BRIEF

Labour calls for Midland investigation

The opposition Labour Party intensified demands for an inquiry into government support for defence exports following disclosures in the Financial Times that a Midland Bank offshoot had secret links with British security services.

Mr Allan Rogers, Labour's defence procurement spokesman, said the revelations, about the close links between the Defence Equipment Finance Department – part of Midland International Trade Services (MITS) – and the government, added to his concerns about British policy towards overseas arms sales over the *past decade. Concerns about* defence exports to Iraq are already being investigated by the trade and industry select committee although time pressure has meant it delaying further inquiries.

Midland Bank said: "The Financial Times article deals with matters arising some years ago in our trade services activities, the results of which were referred to in our reports to shareholders and the US Securities and Exchange Commission at the time."

R-R pay deal near agreement

Rolls-Royce, the aerospace company, is close to an agreement with its workforce which would extend a proposed six-month pay freeze by three months and could avoid the need for compulsory redundancies in a job cuts programme.

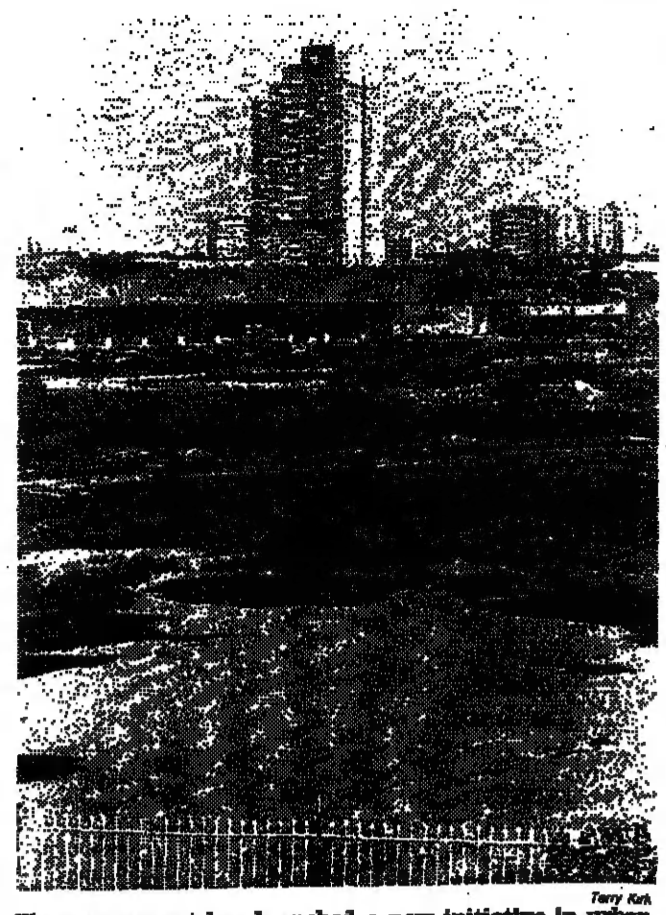
A deal would repair some of the damage done to the company's relations with employees following its announcement in May that it was freezing pay for six months, replacing employment contracts and seeking 6,000 job cuts from its aerospace division this year.

Welsh outlook optimistic

The recession had not set back the Welsh economy as much as in other parts of the country, Dr Gwyn Jones, chairman of the Welsh Development Agency, said in Cardiff. "The outlook for the medium and long-term is good," he said. "Small firms have been growing fast. This has allowed us to ride the recession better."

Protest at Irish talks expected

Unionists are expected to stage a protest at today's meeting in Dublin between British and Irish ministers where the province's recent political initiative will be reviewed. The Anglo-Irish conference meeting has special significance for Unionists who blame it for the collapse of the talks process. Mr Peter Brooke, the Northern Ireland secretary, decided to end the talks after Unionists said they would withdraw if today's meeting went ahead.


Terry Kirk

The government has launched a new initiative in urban policy for deprived areas, such as in east London (above), which need urgent regeneration. Local authorities are *competing for £350m of government funding,* and the selction process started yesterday. It is the first initiative in urban policy taken by Mr Michael Heseltine, environment secretary, since returning to the government last autumn. It represents an attempt to find new ways of fostering urban renewal, but will not draw on extra money. Instead, existing urban renewal budgets will provide £75m to be spent in 1992-1993 and the balance of £275m over the following four years.

Gulf Oil buys service stations

Gulf Oil has taken its expansion programme a stage further with the acquisition of 32 service stations in south Wales from the Action Service Stations group. The move follows the purchase of the Telegraph group, with its 60 outlets in the north-west of England and north Wales, two years ago.

Gulf, which is owned by Chevron, one of the US majors, will have 485 outlets in Britain following the Action deal.

Unions consider cut in hours

Unions representing manual and craft workers in the chemical industry are to consider a joint campaign to reduce weekly working hours, currently set at 38 hours a week. A reduction in working hours was part of the claim made by both unions in their annual pay negotiations. Manual unions have not yet responsed to an improved 7 per cent pay offer made last month by the Chemical Industries Association.

Beecham settles legal action

The Beecham Group has settled out of court with the parents of 12 children whose teeth were allegedly affected by the *blackcurrant drink* Baby Ribena. Beecham said it denied negligence in the marketing of a product introduced many years ago specifically for the benefit of infants.

It said the parents claimed that the usage instructions were open to misunderstanding so that "although they felt they were following them correctly, they were *in fact* misinterpreting the intentions of the company". Beecham modified the labelling in 1985.

TUC appeals for law change

The TUC will today launch a campaign for a change in laws restricting the rights of part – time employees. The TUC, which is critical of the British government's hostility towards European Community proposals to improve the rights of part-time workers, will also ask trade unions to look at the needs of this group of workers and negotiate for an improvement in conditions.

Tax changes ruled out

The government has ruled out using short-term changes in taxation policy to stabilise the economy, *according to the* Treasury's response to a report earlier this year on the 1991 Budget by the Commons Treasury and Civil Service Committee.

VSEL to tender for submarine

VSEL has been asked to tender for the fourth and last Trident nuclear missile submarine, the government has announced. The company, based in Barrow in Furness, has built the other three vessels.

Golf clubs sold above par

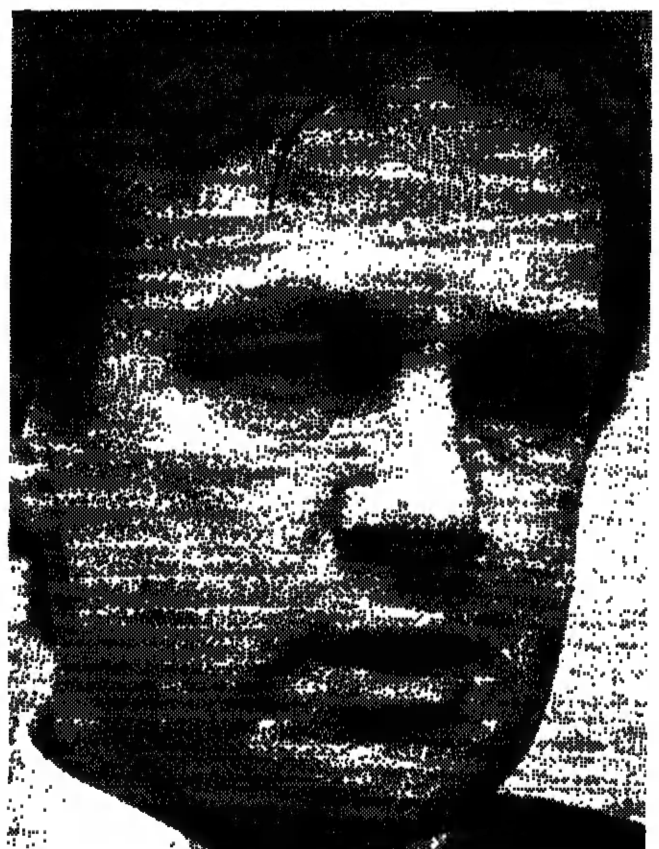
One of the most historic collections of old golf clubs in the world have been sold for £627,000 by Sotheby's. It consisted of 23 clubs, all used by British Open Champions between 1860 and 1930.

It was formed by Willie Auchterlonie and his son Laurie who were professionals and club makers at the Royal and Ancient Golf Club at St Andrew's in Scotland. The Auchterlonies simply asked the winner of the Open for one of his clubs.

TECHNOLOGY TRANSFER

British companies urged to collaborate with Japanese

By Charles Leadbeater, Industrial Editor


Lilley: wants more companies to use technology transfer

BRITISH companies' timidity in transferring technology from Japan risks endangering their competitive position in international markets, according to a government report published yesterday.

The report by the Department of Trade and Industry warns British companies that they have been far more timid than American companies in absorbing Japanese technology.

It estimates that about 30 per cent of the world's innovations come from Japan, which accounts for 25 per cent of the world's engineering workforce, more than the UK, France, Germany and Italy combined.

Mr Peter Lilley, trade and industry secretary, urged British companies to view collaboration with Japanese groups as a source of competitive strength rather than as evidence of growing technological dependence.

Greater international trade in technology would bring economic benefits in the same way as free trade in goods, services and investment, he said.

"Companies should realise they get stronger by learning from others and get nothing from staying within their shells," he said.

Small and medium sized companies probably faced the greatest difficulties in overcoming the cultural and financial barriers to cooperating with Japanese companies, he said

The report, which guides managers on how to transfer technology from Japan is part of the DTI's "Priority Japan" campaign aimed at expanding British companies' involvement in the Japanese economy.

Lord Tombs, chairman of Rolls Royce which has several technology licensing agreements in Japan, said Japanese companies were generally far more open to learning from outsiders than their British counterparts.

He said the difficulties faced by foreign companies in gaining access to Japanese technologies were often overstated.

The new handbook, provides a guide to potential sources of technology in Japan, as well as a practical guide to how British companies should manage the process of technology transfer.

Despite its recommendation that British companies should be more open the guide also recommends companies should be defend their interests by being as precise as possible about what they want from a transfer of technology, protecting all possible product applications through patents and analysing the long term strategic implications of the transfer.

Signposts to Japanese Technology: DTI Technology Helpline, 071-215 1960

Contractors lobby government over helicopter orders

By Paul Abrahams

BRITISH Aerospace and GEC-Marconi intensified its lobbying efforts yesterday to win the prime contractorship for the EH-101 helicopter when they warned that long-term job prospects at Westland Helicopters could be jeopardised if the government gives the contract to an IBM-led consortium.

The two British companies, which have set up a joint-venture, Merlin Helicopter Management (MHM), to bid for the contract, say export orders could be imperilled by US government restrictions which prevented IBM selling the helicopter overseas.

A UK contract for about 50 aircraft worth as much as £2bn would not guarantee Westland's long-term future on its own, they argue. The government is expected to choose between MHM and the IBM-led consortium, which includes Westland, before the end of the month.

The prime contractor would be *responsible for delivering* a complete package to the Ministry of Defence and supplying large quantities of software to integrate the various systems. The British companies argue the US government could restrict exports by claiming the intellectual property rights to the IBM software were based on previous government-funded projects.

Mr Len Milsom, managing director of MHM, also warned that British leadership in anti-submarine warfare – the role for which the EH-101 has been designed – could be lost if large numbers of US nationals from IBM became involved in the *contract.*

"This is not a question of security, but rather a danger that British expertise could leak to US competitors as employees move from company to company," he said.

MHM has lobbied more than 50 MPs in recent weeks to prevent a repetition of the Awacs/Nimrod competition in the 1980s, when the government *awarded the contract to the* American Awacs aircraft.

Hopes for recovery boost shares

By Peter Marsh

HOPES OF sustained economic recovery later this year lifted London shares yesterday, with prices showing their biggest daily rise since mid-March.

Investors took heart from Friday's half-percentage point cut in base rates, as well as from opinion polls indicating *that the Conservatives may be* regaining the political initiative from Labour.

Traders were cautiously optimistic that the worst of the economic decline may already be over and that an upturn can be expected in the third quarter.

In London stocks in the banking, pharmaceutical and stores sectors experienced particular gains and *the FT-SE* 100 index of leading shares rose 35.1 to 2,532.5.

Against the D-Mark, sterling moved up half a pfennig, closing at DM2.9550. This indicated that Friday's move by the UK monetary authorities in reducing interest rates from 11.5 per cent to 11 per cent had not harmed the pound's position in the exchange rate *mechanism.*

Markets, Section II

Roads haulage to 'overtake growth in rail freight'

By Richard Tomkins, Transport Correspondent

ANY GROWTH in freight traffic on UK railways will be far outweighed by a much faster growth in road haulage, resulting in a continuing decline in rail's market share, according to a report published in London yesterday.

The Henley Centre for Forecasting, reporting on regional prospects in the 1990s, says Railfreight, the state-owned division of British Rail, has lost market share in Britain .

Most freight journeys within Britain are not long enough to be economic although the economics of some journeys within the network should be changed by the Channel tunnel rail link between southern England and France, when it opens in 1993.

A further factor would be the growth of combined transport, a system of transferring *truck loads to freight trains for* the long-haul part of their journeys.

British Rail said it expects to be carrying 7.2m tonnes of goods a year through the Channel tunnel when it opens in 1993, equivalent to 400,000 truck loads.

The centre says, however, that some of this traffic is already going by rail and sea, *so the net decrease in road* traffic will be 300,000 to 340,000 truck loads a year: equivalent to less than 0.25 per cent of the annual tonnage transported in the UK.

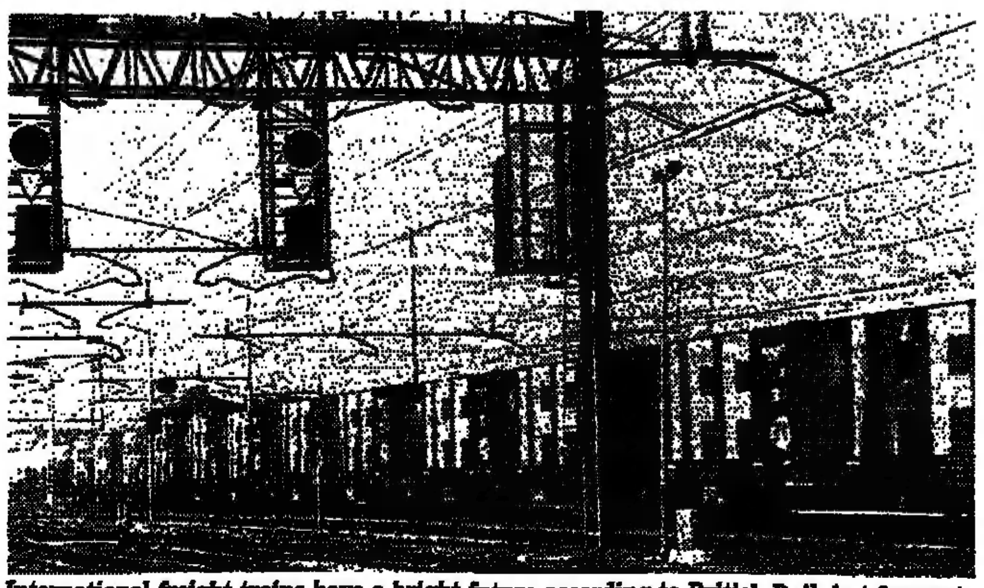
The savings in annual tonne miles, it says, would be less than half the annual increase in lorry tonne miles seen during the 1980s.

The *report goes on to add* that railways have an unprecedented opportunity to arrest the decline of their share in the freight market.

The centre says the key to a rennaissance in railfreight is substantial public sector investment in conversion of rail lines so that they can take Continental-sixe trains and *investment in freight villages.*

"Without an improved rail infrastructure from higher public investment, private sector investment is likely to remain of peripheral significance," the report says.

Local Futures, The Henley Centre for Forecasting, 2 Tudor Street, London EC4Y 0AA


International freight trains have a bright future according to British Rail; but forecasters say railways will find it difficult to keep pace with expansion in road haulage

● British Rail has chosen Cardiff as the site covering south Wales and the south west of England *for its freightliner* terminal handling Channel tunnel traffic after the tunnel opens.

The decision means Railfreight Distribution, its subsidiary handling international and intermodal traffic, has decided to develop Cardiff for the immediate future rather than build a new terminal on a rural site.

Intermodal traffic is the combination of road-haulage collection and delivery in conjunction with long-haul rail transport.

British Rail is developing nine terminals around Britain, some of which as the one for the north east of England in Cleveland will use existing facilities. Others, such as that at Wakefield for west Yorkshire and possibly one in Scotland, will be on new sites.

Mr Ian Brown, Railfreight's managing director, said yesterday that BR expects to treble its European business to 6.1m tonnes ayear in the first few years after the tunnel opens.

South Wales and the south west of England are expected to contribute about 10 per cent of the total.

Cardiff has ample room for expansion. The present inner-city terminal in Bristol is too constricted for expansion.

Videos set for HDTV

Japanese electronics companies have moved a step forward in efforts to capitalise on the next generation of consumer electronics technology: high definition television (HDTV). Hitachi, Matsushita and Sony have agreed on standard specifications for a video tape recorder (VTR) that will handle HDTV.

HDTV, with 1125 lines on the screen, allows for much sharper images than current television technology, but it also carries five or six times more information that must be processed and stored without degrading the signal. The VTR system can be used with the Japanese Muse standard, but can also be adapted for use with other standards.

The aim of the system has been to preserve the high quality of HDTV images. In order to avoid information loss during the recording and playback process, the companies have decided not to compress the signal bandwidth. Currently, the bandwidth must be compressed for broadcast transmission and then decoded by equipment in the television.

The companies say that two new technologies will be used in the machines. The first is a drum rotation speed of 3,600 revolutions per minute, which is twice the speed of current VTR machines, and would allow for twice the recordable information.

Second, the video signal is divided into two channels and recorded by two video heads simultaneously. The information on each channel is then halved again, to reduce the information required, causing the video signal to be recorded in four tracks.

With a cassette similar in size to currently-used video cassettes, three hours of recording will be possible.

NHK, the state broadcasting system, is broadcasting an hour a day of HDTV signals, and this is to be expanded to eight hours later this year. All three companies are selling high-definition televisions in the Japanese market in small quantities. The VTRs should be on sale within two years.

Steven Butler

The IBM personal computer becomes 10 years old next month. **Paul Tate** reviews its first decade

Happy birthday to [illegible] trend-setter

On August 12 1981 IBM took one of the boldest steps in its history – it unleashed a machine on to the US market which changed the way the world, the computer industry and IBM itself uses, and thinks about, information technology.

That [illegible] was [illegible] IBM personal computer. Ten [illegible] on, the world's PC industry is celebrating in typically 10th birthday party style: lots of noise, confusion, and cake fly[illegible] in [illegible] direction. Prices are being [illegible] point where dealers' livelihoods are threatened and competition is now so fierce that even the mighty IBM is forced to struggle for market share.

Originally nicknamed Baby Blue, the IBM PC was not the first such machine on the market. Apple Computer's Apple II was already four years old in 1981. It was the growing success of Apple and Commodore in the late 1970s with their low-cost single-user PCs, which were beginning to nibble away at IBM's dominant "big-machine" market position, which forced IBM to react.

Much to IBM's surprise, its PC was an immediate success. "We got the business very wrong back then," admits Rob[illegible] Corrigan, IBM [illegible] president. "Our [illegible] 10 [illegible] was only [illegible] worldwide. [illegible] understand the markets or the business. It [illegible] a technology-driven launch, not a market-driven product," [illegible].

Simon Pearce, senior research director of industry analysts International Data Corporation's (IDC) European PC group, believes that on that day "IBM legitimised the PC market. The IBM PC quickly became the market standard."

The PC project was run at IBM's Boca Raton centre by Bill Sidney and championed among IBM's higher management by Don Esteridge. He managed to bypass IBM's protracted corporate product channels to get the machine out of development within 14 months.

"We were a group of engineers with a good product idea after working with some of the Intel technology, and we had the right connections in the right places," recalls Rob Baker, now an advisory engineer in advanced technology at the Boca Raton centre and one of the original PC team.

"After the launch everything was done pretty big and exciting," he adds. "People wanted more than we could possibly produce, and we were there working on [illegible] two and three. It [illegible] great."

Their enthusiasm paid off. Addressing analysts in New York this April, IBM chairman John Akers declared the desktop computer business to be IBM's most important. [illegible] IBM's [illegible] systems group, which controls IBM's PS/2 range of personal systems, contributes almost $10bn a year to IBM's $69bn revenues.

While other large companies such [illegible] Digital Equipment and Hewlett-Packard foundered in [illegible] PC arena, IBM came through because [illegible] endorsed [illegible] architecture that [illegible] adopted, copied, enhanced and supported by [illegible] rush of [illegible] companies. [illegible] good [illegible] companies [illegible] they managed to squeeze IBM's market share of the worldwide PC market from [illegible] commanding [illegible] the early days to about 12 per cent today.

In the last decade the PC revolution has [illegible] world[illegible] than 110m machines and [illegible] annual market worth $70bn (£43bn) in sales. It has also spawned a whole new type of computer industry. The rise of software companies such as Microsoft, supplier of the MS-[illegible] operating systems, and Lotus, developer [illegible] the 1-2-3 spreadsheet, has [illegible] firmly [illegible] the [illegible] of the [illegible]. And [illegible] host of communications [illegible] peripherals makers, dealers [illegible] service companies owe their success [illegible] PC, too.

Many people argue that, in spite of the adoption of the IBM architecture as the industry standard, the company has not fully exploited this position and has been slow to innovate. Apple, for example, [illegible] still widely [illegible] as [illegible] leader in making systems easy [illegible] use; Compaq has [illegible] the field in engineering and systems' speed; Toshiba has [illegible] in on the success of laptop machines.

One reason for this is that IBM has had to undergo a com[illegible] change in culture in order to shift its focus from the mainframe market to that of the PC. "Ten years ago it [IBM] was a pretty stuffy outfit: the era of Big Blue," says Pearce. "The atmosphere and the culture of IBM has changed because they have had to deal in this hot, highly competitive, mass market."

It has been saddled with a whole new area of operations – third-party sales and complex distribution channels. And the PC power shift fostered by IBM provided buyers with more computer power at considerably less cost which has devastated the [illegible] traditional [illegible] margins.

In a radical departure from its traditional go-it-alone strategy, IBM recently announced a number of collaborations with software companies. Most notable of these is a link-up with Apple Computer to develop software and hardware technology for a next generation of desktop computers. Wang Laboratories of the US and Siemens of Germany have also agreed to work with IBM.

Many within IBM are positive about these effects. "The PC encouraged IBM people to break the rules a bit and be much more avant-garde in their thinking," says Baker.

Not just IBM has undergone a culture change as the result of the PC. "The personal computer has created a new industry, provided new functions, created a whole new world of users and a new future for the computing industry," says Elserino Piol, head of Italian computer maker Olivetti's systems and networks division.

It has rapidly increased computer usage [illegible] almost [illegible] organisation from government [illegible] manufacturing. "In some industries, like financial services, the technology has become part of the business. You can't see the join," says Stewart Judd, IT policy adviser to the Confederation of British Industry.

Looking to the future, IBM is putting its money into three important areas: multimedia, portable systems (including notebook and tablet-based [illegible] and networking.

IBM believes [illegible] multimedia market will be lucrative [illegible] it offers flexible [illegible] present information. But one drawback [illegible] that it involves a wide range of computing, sound, graphics and vid[illegible] technologies and is difficult [illegible] both technically and in the market.

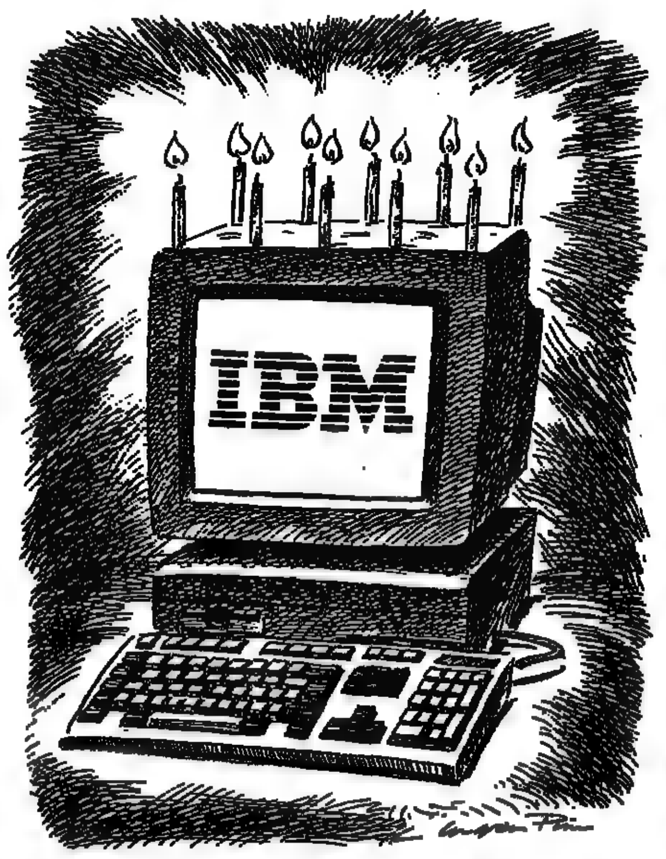
At the [illegible] portable and notebook systems IBM [illegible] up [illegible] both Toshiba, of Japan, and Compaq, of the US, as well [illegible] new partnerships [illegible] as the [illegible] Packard/Lotus venture which has produced the HP 95LX, a "palm-top" computer weighing less than one pound and running Lotus spreadsheet and executive organising software. IBM has already declared its intention to release a pen-based computer soon in partnership with Go Corporation of the US.

But whatever the speed of innovation in the next decade, the immediate profit outlook for PC suppliers is grim. The market is slowing down – in terms of value at least – from a growth rate of 36 per cent in Europe in 1989 to 16 per cent in 1990 according to IDC. Similar trends are evident elsewhere in the world.

The recession does not help, but IDC believes that the market dynamics are changing fundamentally. "There's less and less new business, and more and more replacement and upgrade business in the years to come," says Pearce.

At IBM's Boca Raton site they are taking this trend seriously. "We are working on ever smaller systems where you can just change the pieces to get the latest technology – you don't have to buy a new system," says Baker.

So when the birthday party they are planning in Boca Raton is over next month, IBM will face the same prospects every parent does with a 10-year-old child: a host of opportunity; a creeping generation gap; and the trauma of the teens to look forward to.



Business advice is all in the mind

By Alan Cane

No bits or bytes this week, I'm afraid, but a step into the unknown. A friend, John Frank, has [illegible] up in business as a clairvoyant. [illegible] business clairvoyant, [illegible] be specific. It is, perhaps understandably, [illegible] sideline [illegible] the moment. His principal occupation [illegible] teaching [illegible] tives in large companies problem-solving techniques involving lateral thinking.

Briefly, he reckons to [illegible] make recommendations about business strategy and staff selection based on what can only be described as extra sensory perception. To be quite [illegible] committee [illegible] unseen [illegible] provides him with answers to questions such [illegible] "Should I invest in eastern Europe? [illegible] this candidate suit[illegible] for the job [illegible] so on.

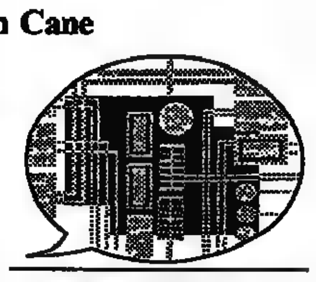
I [illegible] known Franks [illegible] some years and although [illegible] be deluded about his pow[illegible], he [illegible] neither fraud [illegible]. He [illegible] passion[illegible] his gift.

Do [illegible] Well, no. Any more than I hold with the [illegible] behind witchcraft [illegible] organised religion. There is, however, plen[illegible] many responsible people are not above consulting unorthodox sources of advice before making important decisions. Nancy Reagan's use of an astrologer in guiding the US president is one well-publicised example. At a more rational level, graphology – handwriting analysis – is being increasingly used in personnel selection.

Charles Harvey, president of the Astrological Association, has been quoted as claiming an increase in the number of companies who retain him to prepare astrological charts which indicate the likely performance of an applicant for a job.

This column, however, is not about the veracity or otherwise of Frank's claims. What I want to examine is the difficulty of establishing quality assurance tests for people who offer business consultancy services based on techniques without apparent rational explanation. In short, I don't care how its done, but what evidence can I dig up to show it works?

Advice which fails is no proof at all. Companies have been known to pay conventional management consultancies many thousands of pounds for advice which proves to be wrong – or at least does not work in the intended manner.



TECHNICALLY SPEAKING

Equally it is hardly fair to ask a clairvoyant to do magic tricks – "What card am I thinking of?" – as proof of their skill at sniffing out character traits. And in any case, as the example of the spoon-bending Uri Geller showed, the quickness of the hand can deceive intelligent eyes for a long time.

Is advice which succeeds an answer? Certainly for any clairvoyant aiming to make more than a pastime of his or her [illegible], a statistically signifi[illegible] success would [illegible]

To what extent, however, [illegible] seemingly [illegible] simply [illegible] prejudices and preconceptions of the recipient? I am quite sure that any manager provides enough unconscious clues about his or her attitude to an applicant to give the perceptive clairvoyant ample ammunition for a powerful argument for acceptance or rejection.

That leaves the bottom line as the acid test. The successful clairvoyant should give advice which improves [illegible] company's commercial performance. Hold on, though. For [illegible] consultants have been urging managements [illegible] in [illegible] tion technology with, statistically at [illegible] rate, [illegible] effect on the bottom line.

Indeed, so difficult [illegible] it [illegible] show that computing increases profitability that investment in IT is more of an act of faith than scientific practice. So I lied. The column was about bits and bytes after all. If you'd read my mind, you would have known at the beginning.

FT LAW REPORTS

Liquidators cannot pay bank funds to Iraq embassy

IN RE RAFIDAIN BANK
Chancery Division (Companies Court): Sir Nicolas Browne-Wilkinson, vice-chancellor: July 7 1991

A FOREIGN embassy, as the creditor of a bank in compulsory winding up, is not entitled to preferential treatment in the distribution of assets by liquidators, and is therefore not entitled to payments for state purposes at the expense of other creditors.

Sir Nicolas Browne-Wilkinson, vice chancellor, so held on an application for directions by Mr Alan Barrett and Mr Jonathan Phillips, joint provisional liquidators of Rafidain Bank, as to whether payments should be made out of Rafidain assets to the respondents, the Embassy of the Republic of Iraq, Iraqi Reinsurance Co, and Iraqi Airways Ltd.

THE VICE-CHANCELLOR said that a petition for the winding up of Rafidain was presented by the Bank of England on February 21 1991. Joint provisional liquidators [illegible] appo[illegible]

According to current information, Rafidain was hopelessly insolvent. The three respondents, the Iraqi Embassy, Iraqi Reinsurance and Iraqi Airways, had substantial credit balances on their accounts with Rafidain when the provisional liquidators were appointed.

The embassy had [illegible] accoun[illegible] with Rafidain totalling more than £13m. Iraqi Reinsurance had more than £700,000 and $4m. Iraqi Airways had lesser amounts.

Following the imposition of sanctions against Iraq, they had difficulty in meeting existing commitments and day-to-day running costs. They claimed payment out of assets in the hands of the liquidators.

The embassy applied for £160,000 to meet existing commitments, £60,000 a month to meet operating costs, and a large sum to provide for Iraqi students in the UK, who had depended for maintenance on payments from the Iraqi government through the embassy.

Iraqi Reinsurance sought £21,500 to meet existing obligations, together with £11,000 per month for operating costs.

Iraqi Airways sought £32,717.30 to meet existing liabilities, £10,000 per month for operating costs, and more than £400,000 for other liabilities.

The claims were founded on two bases: that retention of monies owed by Rafidain to the respondents conflicted with the rights of the state of Iraq to sovereign immunity; and that the court should exercise its discretion under section 127 of the Insolvency Act 1986 to permit such payments to be made.

There was no doubt that the respondents were creditors of Rafidain.

However, if the winding-up order was made the liquidators, under the court's control, would administer Rafidain's property in accordance with a statutory scheme.

Liquidation was a form of collective enforcement of liabilities against the insolvent company. Creditors' contractual rights were no longer enforceable by action against the company. Instead they had statutory rights to share in the trust fund [illegible] by the liquidator. It was the liquidators' function, pending hearing of the winding up petition, to get in and hold the assets with a view to their eventual distribution in accordance with the statutory scheme.

It followed that, to be enti[illegible] any payment out [illegible] respondents had to show some special principle which [illegible] preference over all other [illegible]

They sought to do that by asserting that the withholding by the liquidators of sums due to them was inconsistent with the right of the Iraqi state to sovereign immunity.

Under section 1 of the State Immunity Act, 1978, a state was immune from the jurisdiction of UK courts except as provided in the following provisions of Part 1 of the Act.

Section 6(3) provided that "The fact that a state has or claims an interest in any property shall not preclude any court from exercising in respect of it any jurisdiction relating to ... the winding up of companies".

At first sight section 6(3) was fatal to any claim that the withholding of payment in the course of winding up conflicted with the rights of Iraq as a sovereign state.

Mr Merriman for [illegible] embassy submitted that under general principles [illegible] public international law, UK courts would not implead [proceed against] a foreign sovereign state either directly (by permitting proceedings against such state as a defendant) or indirectly (by deciding the title to property to which the sovereign state made claim). He then submitted that the debts owed by Rafidain to the embassy on current account were choses in action and were therefore "property" of the State of Iraq.

That was not accepted. Winding up did not directly implead a foreign state which was simply a creditor.

The making of a winding up order did not, by itself, call in question the title of any creditor to the debts owed to it by the company. Iraq remained fully entitled to its claim against Rafidain. All that had happened was that the right immediately to enforce the payment of such debt by action had been suspended. If the winding up order was made, the State of Iraq could remain a creditor and its chose in action (the debt) would carry the right to distribution in the winding up.

Iraq's title to its debt was not affected by the administration of the property of the company in the winding up. The value of the debt was diminished by the insolvency but title to it was not affected.

Section 6(3) covered all steps to be taken by the court in the collection and division of the assets, short of initiating separate proceedings against a foreign state.

Common sense required such a conclusion. On analysis the respondents' submission was not really related to the impleading of a foreign state. It was a claim for preferential treatment in a winding up.

The claims by Iraqi Reinsurance and Iraqi Airways were even weaker than those of the embassy. Although they were both state-owned bodies, they were commercial enterprises. As such, state immunity was removed by section 3(1)(a) of the 1978 Act.

Mr Merriman alternatively claimed that the court should authorise the payments under section 127 of the Insolvency Act 1986, which provided that in a winding up by the court, any disposition of the company's property after commencement of winding up was, "unless the court otherwise orders, void".

It was suggested that the court, in the exercise of its discretion and having regard to the fact that the monies were needed (at least in the case of the embassy) to carry out state functions, should permit payment to the embassy.

On the face of it, the monies were needed for state purposes. In particular the court was pressed with the plight of Iraqi students and their families in this country. Many were now in a desperate plight since they had no money to pay for their continued residence in the UK, nor to return to Iraq.

Although the court had considerable sympathy with that contention, there was no jurisdiction under section 127 to [illegible] by authorising payments [illegible] embassy.

It was established in [illegible] *Gray's Inn Construction Ltd [1980] 1 WLR 711* that such discretion could only be exercised with a [illegible] benefiting the creditors of the company as a whole. It could not be exercised with a view to benefiting one [illegible] at the [illegible] the others.

The proposed payments to the embassy could only be detrimental to the general body of creditors.

Mr Merriman submitted that in [illegible] wholly novel and unprecedented circumstances of the case the discretion could be wider.

The submission was rejected. Although, notwithstanding [illegible], there should be some funds made available out of Iraqi [illegible] in this country to ease the lot of the students and their families, there could be no reason why such a philanthropic act should be paid for out of funds in which other creditors of Rafidain were interested.

The provisional liquidators were directed not to make the payments sought.

For the liquidators: Michael Crystal QC, Timothy Saloman and Mark Phillips (Norton Rose).
For Iraq: Nicholas Merriman QC and Ali Malek (Hobson Audley).
For the Bank of England: Gabriel Moss QC and Martin Pascoe (Norton Rose).
For the Attorney General: David Richards (Treasury Solicitor).

Rachel Davies
Barrister

Corporate culture

Team spirit [illegible]nd French polish

The founder of a furniture company believes business is a combination of work and pleasure. Charles Batchelor reports

E. Ménard, a Brittany-based furniture manufacturer has undergone considerable change in its 22-year history. Starting [illegible] as a manufacturer [illegible] souvenir items it shifted to making furniture and five years [illegible] with a crisis in [illegible] industry, decided [illegible] concentrate on smaller items such as [illegible] nets.

The decision to specialise paid off and turnover [illegible] nearly threefold [illegible] FFr90m (£9m). The small workshops have made way for an automated factory on a hilltop overlooking [illegible] village [illegible] Bourseul and further plans for expansion [illegible].

[illegible] changes, nor the rapid growth of recent [illegible], would have been possible without fully involving the workforce, now 130-strong, [illegible] Ernest Ménard, founder and chairman.

He runs [illegible] programme intended [illegible] make *work fun and to encourage the* participation of his employees in the company's plans.

"[illegible] is a combination of work and pleasure," explains Ménard. "People don't just work in order to be able to eat. We want everyone to take part in the life of the company. In most small businesses people work for money, for the [illegible].

"But a company must have a culture [illegible] culture must be [illegible] on developing the individual." These ideas have been incorporated in a "*mission statement*" produced with [illegible] help of [illegible] who consulted [illegible] workforce on their views.

While the company commits itself to involving the individual, the employees pledge themselves to be mutually supportive, to share their skills and knowledge with each other. The company [illegible] no union, though Ménard says he is not opposed in principle, and staff turnover is low.

But Ménard [illegible] not just rely on [illegible] glow" of [illegible] his employees. Productivity [illegible] encouraged by a year-end *bonus related to the level of* profits.

In support [illegible] policy of mixing work and pleasure, Ménard undertakes an ambitious programme of fun events. Two days of training for the salesforce, *for example*, is [illegible] lowed by *a day of Formula 3* racing; the annual [illegible] meeting took place at the Club Mediterranée in Marrakesh with [illegible] morning's work being [illegible] relaxation. "This creates a team spirit," says Ménard.

Events are staged or sponsored to [illegible] of [illegible]. Recent activities [illegible] trip to Jersey and sponsorship of a car in the Paris-Dakar rally. "We [illegible] use [illegible] every opportunity [illegible] a festival," [illegible] Ménard.

Frivolous though [illegible] approach [illegible] appear it [illegible] serious intent and is backed by a [illegible] recruitment and training programme.

A [illegible] in Japan [illegible] study management [illegible] Ménard of [illegible] a top quality [illegible] *he recruits only staff* [illegible] *nical qualifications*. He spends the equivalent of 6 per cent of [illegible] payroll [illegible] external training compared [illegible] per cent.

[illegible] also carries out in-house training.

[illegible] rigour [illegible] *through* [illegible] a *quality control* programme. Ménard is currently [illegible] his systems up [illegible] required by ISO9000, [illegible] quality [illegible] equivalent to [illegible].

[illegible] one [illegible] important [illegible] of Ménard's efforts to foster a positive company culture is good communi[illegible] with his workforce. The [illegible] immediately [illegible] sign of this is a system of electronic notice-boards around the [illegible] on which, for example, events and [illegible] names [illegible] itors are posted.

[illegible] is the monthly meeting, referred to laconically by Menard as "the day of truth" at which management keeps the workforce [illegible] of [illegible] and profit margins.

[illegible] recently [illegible] augmented [illegible] fortnightly meetings [illegible] of staff [illegible] – which managers do not attend – to discuss issues which the [illegible] impor[illegible].

[illegible] of [illegible] 15 and 20 people meet after work every other Tuesday to discuss [illegible] workplace con[illegible] and product [illegible].

Reports on [illegible] which have been discussed go to the management and any questions [illegible] a reply by [illegible] a senior supervisor and co-ordinator [illegible].

This participative style of working does not suit everybody. Occasionally a new employee will find that the commitment required is too much and leave. But Ménard believes [illegible] approach [illegible] the right [illegible] the [illegible] expansion he plans.

[illegible] Ménard: [illegible] *to incorporate the views of the workforce in a mission statement*

Chambers to decide on status

Every business [illegible] employing five or more people would [illegible] required to register with [illegible] local chamber [illegible] under a range of proposals which is being considered by the largest chambers.

The chambers, already embarked on an ambitious programme to beef up their range of services, are being asked whether they want to become statutory bodies along the lines of their counterparts in many continental European countries.

Early indications from the consultation process, which is being conducted by the Association of British Chambers of Commerce,* are that most chambers do not want full statutory backing, says Ron Taylor, director general of the association. They fear this might tie them too closely to government policies.

But many chambers, while wanting to remain private sector organisations, are keen to take on powers to register the 650,000 UK businesses which employ five or more people. Smaller businesses could register if they wished. Such a register, which would include private businesses and partnerships as well as incorporated businesses, would [illegible] more comprehensive than even the Companies House register. It would include details of company size and range of products.

The registration fee would provide the chambers with a secure income from which to finance an improved range of services. It would also create a nationwide database of information on smaller British businesses which could prove useful to other firms looking for suppliers, for banks and trade creditors, and for government departments devising small business support programmes.

To avoid creating more red tape for small firms the chambers would act as a one-stop registration point, replacing the existing range of bodies with which businesses must register or obtain licences.

This registration system, similar in many respects to the system in the Netherlands, is one of four options *put to chambers by the ABCC for a* three-month [illegible] period ahead of the [illegible] council meeting on September 5 which will decide which option [illegible] back.

The other options are for the chambers to retain their present private, voluntary status; to remain private but seek government recognition on the lines of chambers in Scandinavia; or to move to full public law status similar to the position in Germany, France, Italy and Spain.

The disadvantages of private, voluntary status are that it prevents the development of a coherent, nationwide network; does not provide chambers with the resources to develop new services; and means the chambers are just one element in a confusing "mish mash" of support agencies.

Full public law status would provide the resources, power and consistency but might lead to bureaucracy, a remoteness from the concerns of business and a reduction in the chambers' effectiveness as lobbyists for their members' interests.

With the exception of retaining the status quo, whichever option [illegible] chambers choose will require a carefully planned campaign, the ABCC says in its consultation paper to members. Both the business community and the government would have to be won over. "Any approach must be based on a detailed and well worked case," it notes.

The programme to strengthen the role of the chamber movement which was launched last October is ahead of schedule, despite the problems caused by the economic downturn, the ABCC reported in an interim review to be published in September. "Agreement has been reached in nearly all significant details on the shape of the new network," it said.

The restructuring programme aims to bring British chambers closer to their continental European counterparts in size and resources. It plans to create a nationwide network based on about 55 large regional chambers filling in [illegible] in [illegible] such as Cum[illegible] and replacing competing small [illegible] as [illegible] in Surrey with a coh[illegible] organisation.

Small [illegible] in Humber[illegible] Valley, West Wales and [illegible] have [illegible] regional groupings while chambers in Bristol, [illegible] and [illegible]. Two [illegible] chambers – Croydon, and Kirklees and Wakefield – will be joining shortly leaving only two large British chambers, Leicestershire, and Dundee and Tayside, outside the association.

As well as strengthening their own [illegible] the chambers must also create a more effective relationship with other business support organisations such as enterprise agencies and training and enterprise councils (Tecs), the association said. Exploratory talks have begun with the Tecs, Business in the Community representing enterprise agencies, the CBI and the government.

**ABCC, Sovereign House, 212 Shaftesbury Avenue, London WC2H 8EW. Tel 071-240 5831.*

Charles Batchelor

In brief...

■ Prospects for an export-led end to the UK recession appear to have dimmed as more *exporters report a drop in* overall sales and in exports, according to the latest Barclays Bank Quarterly Survey of Exporters. There is little expectation of a substantial improvement, the survey showed.

One third of the 911 large and small exporters who responded to the survey reported falling sales while 30 per cent reported falling exports over the past year. The balance (the percentage reporting increases in exports minus those reporting decreases) fell to 18 per cent in the last 1990 quarter from 30 per cent in the third 1990 quarter.

The balance of those expecting increased exports in the second 1991 quarter fell to 18 per cent from 29 per cent in the first quarter.

The main concern of exporters was over exchange rates, *mentioned by 45 per cent* of respondents, followed by the performance of overseas distributors and agents (39 per cent) and payment delays and bad debts (31 per cent).

However, only 28 per cent of firms took steps to avoid exchange losses while 69 per cent invoiced in sterling to avoid currency fluctuations.

**Published by the Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel 0908 655831. £15 per copy or £45 annual subscription.*

■ The effective use of new technology is a vital ingredient for businesses seeking to lead their markets.

To put this message across the Manchester Business School is running a summer series of half-day seminars on the theme 'Technology as a route to growth'.

The sessions provide advice on the implementation of new technology, the availability of grants to fund technology projects and licensing. They are free to companies based in Manchester, Trafford and Salford.

Contact Jean Buckley, Manch[illegible] Business School, Booth [illegible] West, Manchester, M15 6PB, Tel 061-275 6537.

■ One in four of Britain's 82 training and enterprise councils (local enterprise companies in Scotland) have *made "fairly significant* improvements" in the standard of enterprise support provided in their area, according to Eric Forth, small firms minister.

The Tecs are urged to devote efforts to marketing examples of good practice in their areas if they wish to bring about a change in attitudes and culture, according to a workbook* intended to guide Tec boards and managers.

The workbook distils the experience of Tec and small firm representatives presented at a one day Enterprise Workshop held in London last May.

Partnerships across a wide range of support organisations will be needed if the widely scattered small business community is to be reached, it suggests.

**Available from Employment Department, N715, Moorfoot, Sheffield, S1 4PQ. Tel 0742 594015.*

■ The British Venture Capital Association is to study the feasibility of a system whereby companies could not use goods they had purchased until they *had been paid for. This is a* suggested answer to the problem of late payment of debt.

Announcing the study, incoming association chairman, Adrian Beecroft, said that allowing companies to charge interest on overdue debts would only institutionalise the practice of not paying on invoices. Companies would feel that non-payment was acceptable because they were incurring interest charges, he said.

■ A study of the relationship between banks and businesses has been launched by the Association of British Chambers of Commerce. The study, to be carried out by Professor John Samuels of the Department of Business Studies at Birmingham University, will take in companies of all sizes but will emphasise the requirements of small and medium-sized firms.

It will look at sources of external finance, the quality of lending and advice and the calibre of bank staff.

■ Managing cash flow and getting paid for exports are two of the themes of a series of seminars being run by International Factors, a factoring subsidiary of Lloyds Bank.

Details of the autumn series of seminars, held in local offices, are available from Wendy Trollope. Tel 0273 21211.

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For further information please contact the Joint Administrative Receiver, J.B. Atkinson or alternatively P. D'Arcy or Mrs. M. [illegible] at the address below.

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For further details please contact Jason Elles, Administrative [illegible] Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE.
Telephone: 0734 500611. Fax: 0734 507744.

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The Joint Administrative Receivers offer for sale, on a going concern basis, the business and assets of Valeport Engineering Company [illegible]. Key features include:

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For further information [illegible] Joint Administrative Receivers, Paul Jeffery [illegible] Stephen James, [illegible] Marwick, 20 Farringdon Street, London EC4A 4PP. Tel: 071-236 8000. Fax: 071-248 1790.

KPMG Corporate Recovery

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Lawtex Babywear Limited
Lawtex Leisurewear Limited
Lawtex Umbrellas Limited

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- Turnover for [illegible] months ended 30 June 1991 of £6m
- Extensive customer list for own label, branded and couture products
- Experienced workforce of 70

Lawtex Babywear Limited
Lawtex Leisurewear Limited
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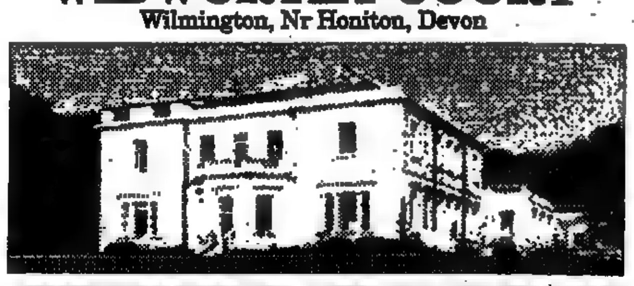

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Castor et Pollux

AIX-EN-PROVENCE

In 1737, four years after *Hippolyte et Aricie*, Rameau composed his second "tragédie lyrique." It won enormous esteem, and in successive centuries French musicians – and not only they – have rediscovered the music with delight, though performances have been very rare and invariably truncated. The modern interest in reviving period styles was bound sooner or later to turn to *Castor et Pollux*, and now at Aix it has.

The challenge was severe, for Rameau's ideal of opera belongs now to remote history, like the audiences for whom he wrote. The producer-designer Pier-Ligi Pizzi and the choreographer Béatrice Massin with her baroque dance company "Ris et Danceries" have opted for rigorous faithfulness, in their fashion. It takes the better part of four hours. There are some splendid passages, and many striking period-instrumental touches; also interminable divertissements, and in general a strong suspicion that a more boldly imaginative producer might have found more consistent drama in this mythological farrago.

The titular heroes are the Dioscuri twins, the Gemini. After a long allegorical prologue the slain Castor is mourned by the chorus and his beloved Télaïre and then by Pollux, who pleads help from Jupiter. Like Orpheus, Pollux sets out for the Kingdom of the Shades – but to take his brother's place there; Phoebé, who loves Pollux vainly, disapproves. For the sake of Télaïre (whom Pollux also loves) Castor agrees to return to the land of the living for just 24 hours, though the Shades, impressed by this fraternal devotion, invite them both to stay. Jupiter intervenes and raises the Gemini to the heavens.

François Le Roux, lately Birtwistle's Gawain, is a suitably strong and selfless Pollux, and the ladies – contrasted much like the Ilia and Electra of *Idomeneo* – are the artful, soft-voiced Agnès Mellon and the forthright, elegant Véronique Gens. The American tenor Howard Crook sings Castor in poignant style. Meanwhile the dances go on and on. Among the divine supernumeraries, the American soprano Claron McFadden and the English tenor Mark Padmore make sterling impressions. Like most of the soloists they are attached to William Christie's distinguished troupe "Les Arts Florissants."

Pizzi provides settings and stage machinery with High Baroque airs, like the gestural style – flamboyant but conventional. Repeated entries by gods atop pasteboard clouds pay diminishing returns, and Rameau's famous orchestral inventions for Jupiter's thunder are dwarfed by modern sound-effects. The "intimate" drama which generates some of the most heartfelt music is too tamely enacted to stand out well against the continual prancing; if the extravagant [illegible] in [illegible] conception is not to be trimmed, more imaginative re-creation is surely essential.

It doesn't help that Pizzi seems besotted with rendering the Baroque in Lurex (or some indistinguishable equivalent). Nearly everybody sports Lurex tights, and often Lurex tops. This is a tacky kind of period-loyalty. Christie's band offers many delights, as expected – and yet something of Rameau's gravity was often missed in their graceful tootling.

David Murray

The artless apologist

To describe the work of any artist as "literary" has long been to offer a doubtful compliment, and the work of Richard Hamilton, that now fills the three galleries of Anthony d'Offay (9, 21 & 23 Dering Street, London W1: until August 10), is literary to the core.

The epithet signifies simply that what the work presents in terms of external reference or idea is more important than what it is in itself, considerations of content coming always before those of form. It is, however, one of the nicer ironies of modernism that what was always employed as a glib, derisory label for the old-fashioned and academic should attach as truthfully to so much of the luggage of our still-active avant-garde.

In short, the still-virulent strain of Dada and surrealism has continued through pop-art to conceptualism, minimalism, earth, body and performance art and all the rest of them, some interesting and worthy, some not. But all hang on the primacy of the idea and its proposition, with the practicalities left to take care of themselves. Some such manifestations will be well, conscientiously, even beautifully made, but to expect them to be so is to invite the charge of trivial irrelevance.

Not by chance is Richard Hamilton the professed disciple and principal apologist of Marcel Duchamp, he of the urinal and the bicycle wheel, each transmogrified into art by the bald assertion that it was so. But Duchamp, having made his gesture, facile and deeply anti-art as it was, at least had the grace and wit to recognise the truth of what he had done. Clearly, after several honourable attempts, he found painting and making things rather too difficult, knew his limitations and so gave up, abandoning art in favour of chess. Unfortunately, the licence has ever since been given to clever men with artistic ambition but less talent.

Richard Hamilton is now 68 and though he has not had any major show in London since 1975, had enjoyed in the early 1970s a retrospective at the Tate, which has continued to collect his work, and has had in the meantime much serious exposure abroad. He is an artist of some considerable standing, widely represented in public collections throughout the world and something of a guru figure at home, with another Tate retrospective due next year.

The show at d'Offay covers the last 20 years, though the emphasis falls on the work of the last ten. The large upper gallery at 23 Dering Street holds the paintings on canvas, the lower gallery (21) the computer hardware designs, the holograph portrait and the Cibachrome self-portraits worked over with the help of the Quantel paint-box computer, and the old gallery (9) the studies, prints and drawings for the larger works.

The paintings say it all, for they are without exception of an astonishing, almost touching, ineptitude. There is no gainsaying Hamilton's commitment, desperate as it is, but the paint lies dead on the surface for all that, the figures ill-drawn, the form unmodelled, the space inconsistent and unresolved, even, as in the lobby of the Hotel Europa, with its simpering Barbie-doll couple and ferocious red sofa, after seven years of trying. Whenever he puts brush to canvas, or pencil to paper, the result is a sad and halting failure. He cannot do it and, but for his preparedness to put the evidence on public show, perhaps he knows it.

Certainly he has always sought to sidestep his technical inadequacies in two ways. The first is through the literary distraction of the subject-matter, which is often tendentious and therefore tiresome, whether it is Kleenex with flowers, turds in the sunset, or the radical chic of Orange parades and the Dirty Protest of the H Block. The second device is if anything more fundamental still, used [illegible] to underpin the first. It too is literary in essence, anecdotal, its concern the particular history of the manipulation, the investigation as the jargon has it, of process, material and medium.

What this has meant for Hamilton in practice is the use of the secondary material and mechanical processes of the photograph, as both reference and direct support, and, latterly, the computer. At first the collage served him very well, with its naturally inventive and elegant disjunctions of space and scale, and accounted for much of his best work of the 1950s and 60s. Now he takes the photographic image directly, inflating it to celebrate its grain and texture before painting over it, dabs of pigment for the Opera House plush here, the girl in the doorway there. With the Quantel series, his intervention is simply a sweep of the brush across his own face, sadly the most authoritative and decisive mark in the whole show.

We are left thus with a body of work that justifies itself not by any inherent quality imposed directly by the artist's hand, for any standard of painting or drawing only condemns it. What formal qualities there are come only as the gift of technology, the photograph so [illegible] printed up, the holograph a holograph in all its strangeness.

But even these [illegible] are not to be savoured for themselves. Rather it is only by the idea the artist brings to the work that any interest remains. And what is that idea? It is to say something of our consumerist ethic by painting a roll of lavatory paper and a turd perhaps, or to make a serious statement on the politics of Ulster by an over-worked image of an Orangeman in his sash and bowler hat. And it is to explore and develop the possibilities of the medium of paint by the simple expedient of painting on top of photographs. The statement of the image is held to be enough, and in such banal simplicities rests Hamilton's entire achievement. Sadly for him, and us, the mere striking of attitudes was never nor will ever be quite enough.

William Packer

Richard Hamilton's brush with self-portraiture

Comedies Barbares

AVIGNON FESTIVAL

Michel Aumont . . . Maria Casares . . . performing against the floodlit backdrop of the Papal Palace in Avignon in an unknown classic of the European Theatre . . . Is this a production by Jean Vilar in, say, 1951? No, it is now.

The old troupers are back, alive and well, directed by the Argentinian Jorge Lavelli. He has long cherished the ambition of putting on in this open air setting the three linked plays written at the turn of the century by the Spanish playwright Valle Inclan under the overall title *Comedies Barbares*. Now, with a new version of them in French by Armando Llamas, he has his chance.

In the original the barbarities of the text are couched in a fastidious language and framed by an elegant decor. Here all that has been swept away. The stage is completely bare, the walls of the Papal Palace a dim backcloth. At either side of the vast acting area there are high, broken ramps through which, or over which, any of the hundred characters may enter.

The other point of entry to [illegible] below, through [illegible] four smoothly operated trap doors. These traps resemble dumb waiters and are a great feature of the production. On them not only characters but also essential pieces of scenery like a double bed (frequently) or an altar (occasionally) may be discreetly served up and as unobtrusively removed when they are no longer required. This is magical realism in a most tangible sense.

There are no animals to be seen on stage in this rural drama, their presence being suggested by copious noises [illegible] but the style used by Lavelli resembles that of a circus. The director's presence is felt like that of an invisible ringmaster. While one item is coming to an end the audience can see the performers lining up for the next, without waiting for their colleagues to complete their exit. This gives a relentless continuity to the action, which lasts for six hours. If you see it in one go, there is an hour's intermission halfway through; but if you see it on two successive evenings there is no break during performance.

Not everyone can take it in its entirety; as the evening wears on some of the audience escapes into the night. But for the majority who remain there is a rich feast of riotous acting as the complex plot unfolds. It concerns the fortunes of one of those local princelings who used to rule with a rod of iron over scattered rural communities in 19th century monarchist Spain.

This rugged, likeable old monster who none of the girls can resist, is played with gruff, snarling authority by Michel Aumont. He has [illegible] power over the lives of everyone in the region whether they be clergy, townsman, farmers or peasants, and he exercises it with merciless disregard of the needs of anyone but himself. His sudden refusal to grant the traditional right of [illegible] across his land to any of the local people sets going a chain of event which show the full implications of his bestial and predatory nature. He is finally repentant but the brutality is perpetuated by his sons.

In the last play, *Romance de Loups*, both they and their father represent the wolves of the title and the savage clashes between them take the audience into strange depths of informality and cruelty.

The intense performances often become acrobatic, using the leaps and somersaults, the lifts and flings, the shrieks and whoops of a gaggle of clowns. This robust manner does not suit Maria Casares, who plays the part of the tyrant's devout and estranged wife. Casares is most effective after she is dead, being fitted for her shroud by a gossipy dressmaker in a scene blending Grand Guignol with pure farce.

Denise Gence, who has the taxing role throughout the three plays of the ancient woman servant, is much more attuned to the general mood. So too is Maurice Chevit as the elderly retainer who sometimes sleeps beneath his master's bed like an obedient dog.

[illegible] of the director's favourite tricks become repetitious. We feel that if we see one more lighted candelabra coming up from one of the dumb waiters we shall scream; but on the whole can only congratulate Lavelli for his unflagging fluency with which he realises every episode in the outrageous [illegible]

Is Valle Inclan a neglected major playwright who, more than half a century after his death, will need to taken into the repertory of our national subsidised theatres? I think on this sole viewing of his work the answer must be no. In this trilogy he does tell one much about life in Galicia for most of the people at this period. To present their dilemma so clearly was a valuable insight. But did it need to be done at such inordinate length?

Anthony Curtis

Gaudeamus

RIVERSIDE STUDIOS

As a companion-piece to its epic *Brothers and Sisters* – one of the treats still to come in this year's LIFT – the Maly Theatre of Leningrad has given its younger members an outing in a sequence of improvised scenes from the life of Soviet army conscripts. If the subject matter seems somewhat dour, I can guarantee that the handling of it is not dour at all.

The two and a half hour piece, which runs without interval, is a quirky and colourful outpouring of artistic energy by an ensemble who exude an innocent delight with their own repertory of skills. It is divided into 19 improvisations, which take a battalion of shaven-headed youths through from first drill to last orders via drink, drugs, violence and debauchery.

It is not strictly documentary theatre, but there is a sense of excitement at being allowed to reveal what really goes on in the ranks. At their most naive the improvisations exude the mischievous pleasure of a little boy who finds he can shout "Poo" in public without suffering a parental clout.

Breasts are bared at every opportunity; a splendidly ugly lieutenant's wife is bonked, beneath her washing line, by a randy young conscript; a music-lesson becomes a piano-top romp which climaxes in a stumbling duet played by the lovers with their big toes, which [illegible] over the keyboard like a footnote to the Kama Sutra.

The representation of sex as an overwhelming preoccupation of the conscripts' life has its problematic side. While it might seem precious, in context, to complain about the portrayal of women as tarts and nymphomaniacs, the light-hearted treatment of a gang rape by a group of drugged soldiers is hard to take. One can only assume there is a satirical thrust to the scene which is lost on an English audience.

Although it certainly has its faults, at its best this is work of a very high order. Lev Dodin directs, on a set by Alexei Porai-Koshits, of snowy ground spotted with trapdoors which are stunningly used to define the physicality of the performers. In an opening of characteristic surrealism, they enter in civilian dress, shuffling or tiptoeing across the stage to plop, one by one, through the holes as if sucked by an irresistible force.

Music, from the Beetles to Beethoven, is cleverly and wittily used to set the mood of the improvisations. But text, setting and score are always there to serve, rather than upstage, the performers. Even with shaven heads and uniforms, they are so distinct and charismatic that it comes as something of a shock to discover, near the end of the evening, how pale and scrawny most of them are.

Claire Armitstead

Alastair Muir

Breaking the ice: a scene from "Gaudeamus"

Riccardo primo

COVENT GARDEN

The 11th of the 13 Italian operas Handel composed in the 1720s for the Royal Academy of Music, *Riccardo primo, rè d'Inghilterra* (1727) languished for more than two centuries among the collection of Handeliana that awaits sympathetic and committed restoration.

The Handel Opera Society revived it at Sadler's Wells in 1964, and there was a performance at Göttingen six years later; on Sunday the indefatigable English Bach Festival selected it for another adventure into "authentic" staging. Directed by Tom Hawkes with designs by Terence Emery, and with a period orchestra conducted by Marc Minkowski, the work was presented at the Royal Opera House on Sunday in faithfully copied costumes and with some attempt to recapture the gestural style and feel of the original.

Authentic productions are hazardous experiences for non-specialists, plunging them into a mire of contention which makes all the problems of period performance practices clear-cut. Those who tilt at the period-instrument lobby for its concentration on a few aspects of performance (colour, texture) while leaving many others (articulation, tempo) undetermined, would go to town on such productions like *Riccardo primo*, with horizons that seem to extend little further than making sure the singers know how to walk and manage their lavish frocks and furbelows.

It all comes down, I'm sure, to a matter of money and rehearsal time: to set up a production of baroque opera that could delve fully into every aspect would be well beyond the resources of the EBF. But if the approach cannot that thorough, is there any point in the enterprise at all? Wouldn't a better service be done to unknown Handel by presenting the operas in lively contemporary productions that may not recapture the visual spirit of the period, but might at least find in them some dramatic pace and interest?

As it was, stage business here seemed concerned largely with the wearing or not of [illegible] and crowns: if Richard took off his crown during one aria, one could be sure he would replace it during the next. The short dance sequence in the second act (to music recruited from *Il pastor fido*) seemed perfunctory and ill at ease. Perhaps that is how the operas were presented in Handel's day, but somehow I doubt it; the dramatic content of the music and the sure shape of each act proclaims a much sharper sense of what was and still is theatrically important.

Riccardo primo is by no means first-rate neglected Handel. A small clutch of arias apart, it is colourful but run-of-the-mill stuff, an historically based tale (to a libretto by Paolo Rolli) of Richard I *en route* to the Crusades, and his adventure on Cyprus in search of a bride.

It was written to exploit the talents of the rival sopranos Francesca Cuzzoni and Faustina Bordoni, and the roles written for them, Costanza, betrothed to Richard, and Pulcheria, daughter of the villainous ruler of Cyprus, Isaac, get much of the best music in the opera. They were also sung the most effectively in this production, with Della Jones incisive and flamboyantly virtuosic as Pulcheria, and Marilyn Hill Smith elegant, pure-toned if sometimes a little under-powered as Costanza. Donald Maxwell made a full-blown blackguard out of Isaac, but the two castrato roles taken here by counter-tenors were less convincing: Paul Esswood made heavy weather of some of the English king's more extravagant arias, and never found an authoritative timbre, while the American Yaacov Zamir, making his London debut as Pulcheria's lover Oronte, made a pallid impression indeed.

Minkowski's conducting was alert and sensibly paced, the orchestral playing adequate. But there was no escaping the feeling that the balance of resources in this production had been entirely misplaced.

Andrew Clements

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BUDAPEST

This week's events include a concert tomorrow at Pest Concert Hall by the Hungarian Symphony Orchestra conducted by Laszlo Maklary, with Adam Fellegi piano soloist. On Thurs and Fri, Gabor Lehotka gives organ [illegible] the Matthias Church, Szentharomsag ter. On Fri, Bela Szakcsi and friends take part in an evening of jazz at Pest Concert Hall. On Tues, Thurs and Sat throughout the summer, the Budapest Lehar Orchestra and [illegible] soloists present operetta favourites at Pest Concert Hall, Vigado ter 2 (117 5067)

COPENHAGEN

Tivoli Koncertsalen 19.30 [illegible] Schmidt conducts Tivoli Symphony Orchestra in music by Debussy. Entry is free. Fri: Jiri Belohlavek conducts Dvorak's Requiem. Sat: Schmidt conducts music by Mozart and Rakhmaninov (3315 1010)

GENEVA

Hôtel de Ville 20.30 Thierry Fischer conducts the Orchestre de la Suisse Romande in Mozart's overture to Don Giovanni and Concerto for flute and harp, plus Honegger's Fourth Symphony. Tomorrow, Thurs, Sat and [illegible] double-bill [illegible] Heubi's ballet Caricatures and Heinrich [illegible] one-act comic opera Seraphine. Fri: Fabio Luisi [illegible] music by Prokofiev, [illegible] and Schoeck [illegible]

LONDON

DANCE

Coliseum 19.30 Spain's National Ballet Company opens its first-ever London season with four works, including Alberto Lorca's dazzling flamenco display Ritmos and the British premiere of Medea, choreographed by Jose G[illegible] to an original score by Manolo Sanlucar. This programme is repeated daily till Sat, and the season continues till July 27 (071-836 3161)

MUSIC

Covent Garden 20.30 Hartmut Haenchen conducts Harry Kupfer's production of Orfeo ed Euridice, with Jochen Kowalski and Gillian Webster. Final performance on Sat. Tomorrow and Fri: La fanciulla del West. Thurs: La Cenerentola (071-240 1066)

Royal Festival Hall 18.30 and 21.00 Herbie Hancock and Wayne Shorter Quintet, with Stanley Clarke and Omar Hakim. Tomorrow: Chick Korea. Thurs: B.B.King. Fri: Miles Davis. Sat: David Sanborn (071-928 [illegible]00)

[illegible]een Elizabeth Hall 19.45 Christopher Warren-G[illegible] is conductor and sol[illegible] with the London Chamber Orchestra. Tomorrow: Colin Davis conducts Chamber Orchestra of Europe (071-928 8800)

THEATRE

Royal Shakespeare Company: [illegible] Hytner's production of [illegible] Lear can [illegible] in [illegible] Barbican Theatre tonight, with John Wood in the title role. Tomorrow and Thurs: Ian Judge's colourful, [illegible] production of The Comedy of Errors. Fri and Sat: Chekhov's The Seagull, Terry Hands' final production as RSC artistic director, [illegible] a cast including Susan Fleetwood, Simon [illegible] Beale and Roger Allam. In the Pit, this week's repertory includes Christopher Marlowe's Edward II tonight and Sam Mendes' production of Troilus and Cressida tomorrow and Thurs, with Ralph Fiennes and A[illegible] R[illegible] in the title roles (071-638 8891)

New Shakespeare Company: Macbeth, directed by William Gaunt with designs by Bruno Santini, is showing tonight at the Open Air Theatre Regents Park, with Peter Woodward and Nichola McAuliffe as the leading couple. A Midsummer Night's Dream has matinee and evening performances tomorrow, Thurs and Sat, with Roy Hudd as Bottom (071-486 2431)

For ticket information and inquiries about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musi[illegible] [illegible] 430960 [illegible] 0836 [illegible] Thrillers 0836 430962

MILAN

Teatro alla Scala 20.00 Ballet triple-bill: Frederick Ashton's Jazz Calendar, with music by Richard Rodney Bennett; Agnes [illegible] Fall River Legend, [illegible] by Morton Gould; and Don Juan choreographed by Amedeo Amodio with music by Gluck. Repeated daily till Sat (7200 3744)

MUNICH

Staatsoper 19.00 Wolfgang Sawallisch conducts Don Giovanni, with a cast led by Thomas Allen, Julia Varady, Ann Murray, Kurt Moll and Hans-Peter Blochwitz. Tomorrow: Sinopoli conducts Gurrelieder. Thurs: Die Zauberflöte. Fri: Dietrich Fischer-Dieskau sings Die schone Mullerin. Sat: Entführung. Sun: Valery Gergiev conducts Johannes Schaaf's production of Boris Godunov, with Paata Burchuladze, Julia Varady and Kurt Moll. Tomorrow in Herkulessaal: Lucia Popp recital [illegible])

[illegible]hof [illegible] 20.00 Oleg Caetani conducts Bach Collegium in music by Mozart and Schubert, plus Koetsier's Concertino for Trombone and [illegible]. Fri: wind [illegible] of [illegible] Radio Symphony Orchestra give a Mozart concert [illegible]

Kammerspiele 20.00 Goethe's Stella directed by Dieter Dorn, also tomorrow, Fri, Sat and Sun (23721 328)

Prinzregententheater 19.30 Shakespeare's Coriolanus, directed by Steve Berkoff, [illegible]. Tomorrow: Molière's L'école des femmes (225754)

NEW YORK

MUSIC AND DANCE

Metropolitan Opera 20.00 The Royal Ballet presents Anthony Dowell's 1987 staging of Swan Lake. Tomorrow, Thurs, Fri and Sat: Kenneth Mac[illegible] (362 6000)

Avery Fisher Hall 20.00 Katia and Marielle Labeque are soloists in Mozart's Piano [illegible] Two Pianos, and Barry Tuckwell plays two Mozart Horn Concertos with the Mostly Mozart Festival Orchestra conducted by Gerard Schwarz. The programme, which is repeated tomorrow, also includes Mozart's Symphony No 20 and Beethoven's Second Symphony (875 5030)

THEATRE

Getting Married, G.B.Shaw's 1908 play taking a comic look at the institution of marriage, is directed by Stephen Porter, with a cast led by Victoria Tennant, Lee Richardson, Nicolas Coster and Linda Thorson (Circle in [illegible] Square, [illegible] Broadway on 50th Street, tel 239 6200)

Lips Together, Teeth Apart is Terrance McNally's new play about two married couples sharing a Fire Island beach house over a long Fourth of July [illegible] Closes on Sun (Manhattan Theater Club production at City Center, 131 W 55th Street, tel 581 7907)

Pageant is a musical spoof of beauty contests conceived and directed by Robert Longbottom (Blue Angel, 321 W 44th Street, tel 262 3333)

Ticketron answers inquiries and sells tickets for most shows (246 0102)

PARIS

MUSIC

Opera Bastille 19.30 Jiri Kout conducts Götz Friedrich's production of Katya Kabanova, with Karan Armstrong in the title role, Leonie Rysanek as Kabanicha, Stefano Algieri as Boris, William Cochran as Tichon and Claire Powell as Varvara. Last performance on Thurs. (4001 1616)

Auditorium, Forum des Halles 20.30 Piano recital by David Owen Norris, including Bax's Sonata No 2 (1919). (4804 9801)

THEATRE

Comédie Francaise 20.30 La Tragédie du roi Christophe, a play by Aimé Césaire set in 19th century Haiti about a former French army officer who proclaims himself king and later commits suicide. Repeated on Fri. Tomorrow and [illegible] Moliere's Le Malade Imaginaire. Thurs: Beaumarchais' Le Barbier de Seville. Sat: Marivaux's comedy La Fausse [illegible] (4366 [illegible])

PRAGUE

Theatre K 20.00 Prague Festival Ballet presents a triple-bill of original works by one of Czechoslovakia's promising young choreographers, David Slobaspyckyj: A Short Piece for Eight, music by Handel; Minotaurus, music by Martinu; and Whispers, set to Moravian folk songs. Daily till Fri. Tickets from Theatre K box office (open from 15.00), Jungmannova [illegible] 1, Prague 1 (235 0975) or from Cedok (212 7212)

ROME

Caracalla 21.00 Nello Santi conducts Aida, directed by Silvia Cassini. Further performances of Aida on Fri and Sun, and Nabucco on Sat (488 3641)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

[illegible]
0600-0630 International Business report

CNN
0500-0530 Moneyline
0600-0630 Moneyline
[illegible] CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0700-0830 Financial Times Business Report
A five mi[illegible] briefing [illegible] three [illegible] 0900
2220 - 2250 (Wed) Financial Times [illegible] Weekly - the [illegible] round-up of business news with James Bellini and Debbie Middle-[illegible]
0630 & 2030 (Thurs) Financial Times Business Weekly

Sky News
[illegible] Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY

CNN
0600-0630 Moneyline
0800-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

Sky News
1030-1100 FT Business Weekly

CNN
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
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Tuesday July 16 1991

Second chance to shape BT

THE government's telecommunications policy is in confusion. A deal between the government, the industry regulator, Oftel, and BT earlier this year has unravelled. Price cuts have been postponed; potential competitors do not know whether to enter the market, because the rules of the game are still undecided; and the government's planned privatisation of some (or all) of its remaining share in BT may have to be delayed until after the general election.

The mess would have been bad enough if all the government had wanted to do was liberalise, while privatising another [illegible] shares. The tougher the [illegible] aimed at reducing [illegible] monopoly power – the company still has 95 per cent of the market – the lower the likely [illegible] of [illegible] government's [illegible]. But the [illegible] plish both objectives before the [illegible] election, while not giving [illegible] opposition parties [illegible] much ammunition, [illegible] made [illegible] almost impossible [illegible] reach [illegible] satisfactory conclusion.

The tight [illegible] meant [illegible] there [illegible] quate consultation, which has contributed [illegible] judgment by Oftel. That [illegible] regulatory body is [illegible] properly [illegible] undertake such [illegible] major review [illegible] helped.

The politicisation [illegible] the review [illegible] also meant [illegible] its agenda was too narrow. The question whether BT needed to be restructured in order to allow [illegible] competitive market [illegible] develop [illegible] not [illegible] examined. Yet this was found necessary in the US in the early 1980s, when AT&T was broken up. The government has also not been prepared to countenance a faster "rebalancing" of BT's charges, to bring them in line with costs, because this could have led to a substantial [illegible] in the phone bills [illegible] some residential customers [illegible] before an election.

Unsatisfactory deal

The government thus fell into a trap of its own [illegible] predicament BT has skilfully exploited. As a result, an unsatisfactory [illegible] which [illegible] allowed the company to charge its competitors [illegible] access fees for using its local network, [illegible] sprung on [illegible] industry in March.

Following complaints about this arrangement, Sir Bryan Carsberg, Oftel's director-general, reversed his position. The access fee has now been all but abandoned and Sir Bryan has suggested that BT might have to put its local and long-distance operations into separate subsidiaries, to promote competition. The subsidiaries would deal with each other on an arm's length basis and would be required to offer the same terms and conditions to rivals.

Access fees

If BT does not agree to Oftel's volte-face on access fees, Sir Bryan has threatened to refer the matter to the Monopolies and Mergers Commission. For its part, BT is trying to persuade Oftel and the government [illegible] re-open the question of [illegible]balancing, in exchange [illegible] accepting [illegible] new position.

[illegible] behind-closed-doors [illegible] BT, the government and [illegible] not the answer. It would be better to move directly to an MMC refer[illegible], not [illegible] because it would provide an opportunity to put on the agenda items originally om[illegible]. There is a strong case, for example, for breaking BT up into local and long-distance [illegible] and [illegible] for the more radical option of forcing BT to divest itself of such subsidiaries, as happened to AT&T.

The argument that a radical restructuring of BT would be unfair to shareholders is untenable, since the government had long made clear its intention to review the competitive structure of the market. The other argument against a reference to the MMC is that it would make it easier for a future Labour government to renationalise BT, by delaying the second tranche of privatisation until after the election. But Labour now shows diminishing enthusiasm for renationalising the company.

Getting the competitive structure of the market right is more important than an early privatisation. In its determination to achieve the initial privatisation, the government ignored advice to restructure BT. It should not make the same error twice.

Keeping [illegible] eye on Iraq

NO-ONE could pretend that the situation in Iraq, four months after the Gulf [illegible] is other than disastrous. [illegible]ing to a recently returned non-governmental aid worker, it is "a shattered and unstable country facing a continuing humanitarian crisis". Comparatively wealthy before the war, the country is now threatened with famine. Typhoid and gastro-enteritis have reached epidemic proportions. Cholera is widespread. Four-digit inflation has left the poor unable to buy food. All this, despite the fact that food and medical supplies are exempt from the UN embargo, which the Security Council extended for 60 days on June 11.

In practice, the exemption makes little difference, because the Iraqi currency is almost valueless, while Iraq's hard-currency assets are frozen in western banks. At the same time, communications and distribution networks within the country remain badly [illegible]rupted by [illegible] and the uprisings in both south and north which [illegible] it. Only in Baghdad and the areas immediately north of it, [illegible] unaffected by the uprisings, [illegible] the situation more or [illegible] normal.

Precarious future

Both health and nutrition [illegible] their [illegible] in the [illegible] south, [illegible] area worst-hit by allied bombing and by [illegible] March uprising. In [illegible] north, the Kurdish areas retaken by the government in April are still seriously depopulated. By contrast, the [illegible] occupied until yesterday by [illegible] allies [illegible] been rehabilitated with remarkable success, but further [illegible] and south, along [illegible] Iranian frontier, is a large, mainly mountainous area still controlled by Kurdish guerrillas, crowded with refugees and desperately lacking in health and other services. In both of these areas the future depends precariously on the outcome of talks between the Kurdish leaders and the central government, and on how seriously the latter takes allied threats to return if the Kurds are mistreated. Meanwhile, the country faces the possibility of a new wave of bombing raids if the regime fails to disclose and destroy its nuclear materials by the end of next week, as instructed by the five permanent members.

The root cause of all these evils is the fact that President Saddam Hussein is still in power. No one trusts him, either inside or outside the country, and it is very difficult to do anything effective to help the population so long as he is there. The US still hopes for a military coup against him, which is, presumably, why it has let it be known that military command centres are being targeted, in addition to the nuclear sites themselves.

Limited campaign

There is no obvious reason why such methods should succeed better now than before. If Iraq has indeed violated the UN ceasefire terms (Resolution 687) by continuing its uranium-enrichment programme, then a limited resumption of hostilities to knock out that programme is certainly justified. But it would be folly to undertake a new bombing campaign with the overt or covert objective of removing Mr Saddam from power. The only certain way of achieving that would be the option which allied leaders have ruled out: an occupation of Iraq.

But, as long as Mr Saddam remains, Iraq must be kept under the strictest supervision and tutelage, both in the interests of international security (covered by Resolution 687) and to protect its own population from Mr Saddam's excesses (which is the avowed object of Resolution 688). That means keeping sufficient allied forces in the vicinity to intervene whenever Mr Saddam reneges on his commitments. But it should also mean using Iraq's frozen assets abroad to finance a significant humanitarian relief effort within the country. The actual work of reconstruction and distribution could and should be done by Iraqi nationals, but they should [illegible] employed and directly supervised by UN agencies – which [illegible] present are desperately underfunded and overstretched.

The sanctions on dealings with Iraq should be kept in place until it has a government which can convincingly demonstrate that it enjoys the confidence of the Iraqi people.

As 1992 approaches, the Socialists are using the public sector to wrench the private sector into competitive shape, writes **Peter Bruce**

Climate control in corporate Spain

Spain's young Socialist rulers have done more to reshape Spanish business in the past three months than at any time since they came to power in 1982.

In an effort, as Prime Minister Felipe [illegible]nzalez promised nine years ago, [illegible] "make Spain work", the Socialists are finally sweeping away the inefficient and introspective practices that characterised Spanish business under General Franco. Paradoxically, they are imposing an industrial model which extends the corporatism of the dictatorship but which they hope will result in a more outward-looking, competitive economy.

In the process the Socialists have become more and not less interventionist. Frustrated at the private sector's inability to carve out new markets, and driven by [illegible] broadly nationalist desire to place Spain in the same league as its big European trading partners, the government has begun to use public sector industries as a weapon to frighten the biggest lenders, the banks, and the biggest borrowers, the utilities, into preparing for the single European market after 1992.

The man at the centre of this transformation is Mr Gonzalez's stubborn, conservative finance minister, Mr Carlos Solchaga. In April, he merged all the state-owned banks into one big bank, Corporacion Bancaria [illegible] Espana ([illegible]). This so alarmed the private [illegible] within days [illegible] his action, [illegible] them – [illegible] Central and Banco Hispano Americano – decided to merge to become Spain's biggest private-sector bank.

At the same time, the government has turned its attention to the electricity utilities. It decided that the industry – with seven private companies and one large public sector group, Endesa – was too fragm[illegible] to support the large investments in

The banks and the utilities are the underpinning of the Spanish government's economic strategy

plant required by the end [illegible] the [illegible]. It [illegible] only two [illegible] larger groups, one of which would be led by [illegible]. The two biggest private groups – Iberduero and Hidrola – were quickly scared into forming a defensive merger.

The banks and the utilities are the underpinning of the government's economic strategy. Together, the two sectors account for 47 per cent of the Madrid stock market's general index. Industrial companies owned by the banks account for another 10 per cent of the index.

The sheer size of these two sectors explains why the government is [illegible] them to jolt the economy into action. Many business leaders do not approve of Mr Solchaga's tactics, but few deny that he is fundamentally changing the way corporate Spain functions. "If the creation of bigger utilities is accompanied by [illegible] loosening of regulation, the trickle-down effect on the rest of the economy of seeing Spanish managers actually being given more freedom to manage huge companies [illegible] be enormous," says Mr Jose Antonio Garrido, managing director of Iberduero.

That is what Mr Solchaga likes to believe he is doing. [illegible] frequently attacks the way prices in protected service industries such as insurance make it impossible to control inflation and bring down interest rates. His aides [illegible] the banking and utility mergers – plus attempts to link wage rises to productivity – are part of a final attempt to prepare Spanish business for the single market. The current mergers might create larger public sector companies, they [illegible], but these will eventually be privatised.

The first overt sign that the government had plans for the utilities came in 1989, when RWE, the German power group, wanted to buy part of a private Spanish utility, Union-Fenosa. The government refused to allow it. Only now, as Madrid enters the final phases of a crunching re-organisation of the electricity industry, are the rea[illegible].

The [illegible] are technologically very [illegible] bu[illegible] they owe Spanish and international banks about $40bn in long-term debt. The government believes they cannot comfortably finance further investment individually. Angry private utility bosses, scrambling to avoid the clutches of the public sector, accuse the government of trying to nationalise some of their companies.

But the scare tactics succeeded. The merger of Hidrola and Iberduero in April was a start, even though it was not the marriage the government wanted. The two control most of Spain's low-cost generating capacity and Madrid wants to even out costs among the new groups it creates. One [illegible] the merger was to leave one of the oldest [illegible], Sevillana, exposed [illegible] absorption by Endesa. Endesa recently made [illegible] Pta47bn ($415.9m) public share offer [illegible] utility, with the aim of raising its equity in the company from 9.8 per cent to 33.5 per cent. The agreed deal put an end to an acrimonious dispute between the two and averted a hostile takeover bid by Endesa.

The private utilities are some of Spain's oldest and richest industrial companies. They and their traditional family or banking shareholders were close to General Franco and among the main beneficiaries of his penchant for big projects. The restructuring of the sector may not be revenge, but the government is doggedly pursuing its aims. "What we have in the sector is a gerontocracy," said one government official. "We need younger people. Some of these [illegible] have even borrowed money to pay dividends."

Where it exists, such hostility to the private sector only comes into the open in private conversation, but the Socialists steeled themselves early on to the sector's weaknesses. By the time they were elected in 1982 the country [illegible] in a deep financial crisis following the 1979 oil price [illegible]. Some 40 Spanish banks, whose industrial holdings or property investments had collapsed, had to be rescued by the state.

The effort sowed the seeds of a deep distrust within government. It [illegible] that the Spanish private sector could not be trusted to operate efficiently if it was not regulated more tightly. For the Bank of Spain, the banking crisis marked the beginning of its role as a tough and interventionist watchdog, and as a key player in Mr Solchaga's efforts to transform the economy.

Spain's banks are the motors of its economy. They also own vast industrial holdings, which account for 8 per cent of gross domestic product. But Spanish banking is seriously flawed:

First, isolated from competition by Franco, the banks concentrated on a protected retail [illegible] still [illegible] them the highest retail lending margins of any country in the European Monetary System. In 1989 Spanish retail lending margins were 4.4 per cent of total assets.

Second, their industrial holdings serve two debilitating purposes: the companies are captive clients for overpriced corporate banking services; and, if banking profits fall, the industrial assets are disposed of, thus reducing large parts of industry to little more than a source of extraordinary profits for the banks.

Ever since 1982 the government has wanted the banks to be the standard-[illegible] of its push into Europe, leading large international bond issues, attracting long-term investment by offering sophisticated financial [illegible]vices and helping industry expand into foreign markets. Instead, most banks have concentrated on building defences at home against the threat of foreign penetration. Changing [illegible]ish banking may mean changing the bankers. But [illegible]

The Socialists had a lucky break in 1987 when Banco de Bilbao caught the government mood and launched [illegible] hostile takeover bid – for Banco Espanol de Credito (Banesto). Banesto, run by a fractious band of conservative families, was weak in retail banking and dependent on profits from asset disposal. But the bid was disallowed by the old Madrid stock market, which did not want a Basque bank dominating its most active sector.

Nevertheless, the move caught the imagination of Mr Pedro Toledo, the president of the second big Basque bank, Banco De Vizcaya. He had once hired Mr Solchaga as an economist at the bank and therefore the two men were close. Would the government, he wondered, approve of a merger between Bilbao and Vizcaya? The answer was yes, mainly because the government knew that Mr Toledo would become the sole chairman of Banco Bilbao Vizcaya (BBV), now the biggest bank in Spain. It was clear that he and Mr Solchaga shared the same ambitions for Spanish banking. At last, things seemed to be moving.

The merger fever caught on for a while. In early 1988 Mr Mario Conde, a 39-year-old businessman who had slipped into the presidency at Banesto as it tried to fend off Bilbao, agreed to merge with Banco Central, a larger rival. But the two banks fell out over how to value their assets. The deal collapsed completely.

Worse was to come. At the end of 1989, Mr Toledo died suddenly. At BBV, directors of the two old banks went to war over a successor, leaving Spain with a troubled leading bank – though it ranked only 32nd in Europe in terms of assets – and no other mergers in prospect.

Mr Solchaga saw his banking strategy start to unravel and began to cast about for a banker in the same mould as Mr Toledo. Fortunately, just before Mr Toledo died, he had hired Mr Francisco Luzon, a friend and disaffected former Vizcaya executive from BBV, to revive the state-owned bank and export credit monopoly, Banco Exterior. The two men developed a hidden agenda. [illegible] April, after 14 months' preparation, [illegible] government [illegible] merging all public [illegible] financial institutions [illegible] new bank – the Corporacion Bancaria de Espana (CBE) – to be led by Mr Luzon at Exterior. Mr Solchaga's master plan was back on track, but probably not even he appreciated the galvanising effect it would have on the rest of the sector.

Mr Solchaga warned that the CBE would be "belligerent" in the markets. It would attack retail lending margins in an effort to force the banks to develop new expertise in competitive financial services. The warning took immediate effect. Less than three weeks later, Banco Central and Banco Hispano Americano announced they were merging. They had done their deal in a week. Though they loudly disclaim it, Hispano and Central were subtly manoeuvred into the merger by Mr Solchaga who, through the Bank of Spain, had information on strategic and financial weaknesses at both banks.

With five of the country's biggest banks, including Exterior, now merged or merging, and the same thing happening to the utilities, Spain's biggest lenders and borrowers are being rapidly remoulded. But this government victory has a price.

Interference in business is deeply resented. Business leaders accuse the Socialists of reinventing Franco's corporatism on a larger scale. Without Mr Toledo, BBV's relations with government are cool. Mr Conde at Banesto frequently attacks Mr Solchaga, telling shareholders recently that "the impression that mergers are inevitable and the only way for Spanish banks to become efficient is unreasonable. It is even less smart to assume that the mere merging of public banks will stimulate private bank efficiency. Time will tell. It may turn out to be [illegible] good way to sharpen up the public banks".

Private [illegible] thinks it has become a lot more competitive and that it has a right to make its own decisions. [illegible] Socialists broadly agree but they will continue to insist on this new corporate strength being used to enhance Spain's position in Europe. If it is not, the administration has already shown that it is not afraid of using its power to impose its priorities.

Source: UBS Phillips & Drew

OBSERVER

Comical capers

■ If Chemical Banking Corporation and [illegible]ers Hanover Corporation really are combining in a merger of equals, why is Manny Hanny's name being ditched?

Over 30 years since the last wave of megamergers amongst the New York money centre banks, it is still possible to spot [illegible] of famous old names in the present titles. However, this time one of the grand old names of correspondent banking is being scrapped.

It is scant consolation that Manny Hanny is providing the headquarters and the first chairman. It is the name on the brass plaque that counts in banking.

John McGillicuddy, who'll head the combined group for the first two years, is the archetypal cigar-smoking relationship banker. By contrast Chemical's Walter Shipley, [illegible] apparent, is more the conceptual type of manager.

Whereas neither [illegible] record is particularly distinguished, it is an ex-Chemical Bank high flier, Thomas Johnson, who is the first obvious casualty. Having joined Manufacturers Hanover 18 months ago as McGillicuddy's heir, he is now off to pursue other career opportunities.

The best bank mergers are [illegible] quickly [illegible] brutally. The danger with this one is that two weak banks take the phrase "merger of equals" too seriously and spend more time on internal political capers than financial restructuring.

In that context, starting with a 29-strong board of directors doesn't augur well.

Counter punch

■ If Mikhail Gorbachev failed to impress the Japanese at the G7, [illegible] Yuri Aribachakov certainly hit back for it. In Tokyo last night flyweight boxer Aribachakov became the third Soviet to capture a Japanese national boxing title in four months, knocking out opponent Takahiro Mizuno i[illegible] first round.

He is one of four Soviets who have entered the ring of free enterprise and are under management at [illegible] Tokyo gym, Kyoei. The gym has also imported three Mexicans, a South Korean and [illegible] Taiwanese, and expects to take a cut of the value-added on the way to the top.

The Soviets have won all but one of their fights by knockout, and Aribachakov has a chance of becoming the first Japanese-managed Soviet boxer to win [illegible] world title.

Survivor

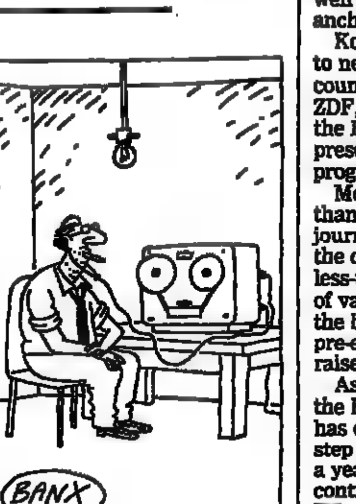
■ It says an awful lot for the resilience of Italy's political class and the delicate minuet that is Italian politics that Giulio Andreotti is in London for his [illegible] summit as Italian prime minister.

It was back in 1977 that he first appeared as Italy's leader at a London summit. That [illegible] when the stars of the international stage were German Chancellor Helmut Schmidt and French president Valéry Giscard D'Estaing.

The first London summit also marked the G7 debut of a nervous Jimmy Carter who struck up a cordial relationship with his summit host, fellow ex-mariner [illegible] (now Lord) Callaghan. That meeting helped keep alive the special relationship between the US and Britain until Mrs Thatcher and Ronald Reagan took it to new heights in the 1980s.

Numbers game

■ An interesting point of semantics has arisen as Britain's two main political parties draw up their proposals for protecting Joe and Jo Public.



The listening bank.

The Tories, divided as ever these days, have been trumpeting the importance of their Citizens (or is it Citizens'?) Charter.

Labour, however, has been of a single mind. The party of the people has decided that there is but one person to protect and accordingly dubbed its contribution [illegible] Charter.

Strikingly, their policies are not merely converging but over-lapping. Once Labour was the party of collectivism and the Tories the party of the individual.

Yet again there is potential for Paddy Ashdown, whose book setting out his political vision was called Citizens' Britain, to play a key role in moulding the nation's future. Apostrophe-watchers up and down the land await his word with bated breath....

High kick

■ While Chancellor Helmut Kohl is often thought to have the hide of an elephant, his skin is in fact extremely thin – especially when it comes to criticism. The latest to feel his kick against the pricks is well known German tv anchorman Wolfgang Herles.

Kohl has taken exception to news coverage from the country's second tv channel ZDF, where Herles is head of the Bonn studio, and regular presenter of an evening programme on political affairs.

More independently minded than most German tv journalists, he has annoyed the chancellor by his less-than-reverent treatment of various events including the breaking of Kohl's pre-election promise not to raise taxes.

As a result of pressure from the Bonn Chancellery, ZDF has quietly asked Herles to step down from the programme a year before the expiry of his contract. He is now looking [illegible] another job – away from current affairs – elsewhere in the ZDF organisation which in turn is seeking [illegible] more pliable presenter.

Caveat emptor

■ Remember those Victor Kiam Remington shaver adverts, about how he liked the product so much he decided to buy the company? Well BCCI's man on the Isle of Man, Philip Bannan, seems similarly struck by the charms of the tax haven.

In a recent issue of the Isle of Man's Financial and Business Review he waxes enthusiastic about the island's new deposit protection scheme which he [illegible] will probably not have to be activated, because Manx safeguards for depositors are already outstanding.

"With the strength of the banking supervision currently prevailing in the Isle of Man, this necessary new legislation can [illegible] expected to remain firmly where it belongs – on the shelf."

Alongside the [illegible] a BCCI advert seeking high interest bearing deposits. The name of the person to contact for information is A Looney.

The switch from guns to butter

Converting the Soviet defence industry to civilian use is crucial to reform plans, says Leyla Boulton

One of the bolder slogans of perestroika may at last start to take practical shape now that President Mikhail Gorbachev has indicated that the conversion of the Soviet defence industry to civilian output is the touchstone of his economic reform plans.

Tomorrow, after the end of the formal Group of Seven economic summit in London, he will meet the leaders of Britain, the US, France, Germany, Canada, Italy and Japan to present the economic reform package for which he is seeking outside assistance. Although he is not disclosing his overall strategy, his ideas on conversion are expected to include incentives for foreign investment in the technologically advanced defence sector, which has recently started to become the focus of western interest.

It is more than two years since the Soviet leader set forth his commitment to *konversiya* – the transformation of "an economy of armament into an economy of disarmament" – yet an effective strategy for its implementation has still to be devised.

The obstacles to conversion [redacted] been four-fold:

● The vested interests of the government bureaucrats who supervise Soviet industry. Many would lose their jobs if defence factories were either shut down or rationalised as part of conversion;

● A fear of unemployment, which would inevitably accompany radical changes;

● The high cost of transforming the state-run defence industry and a failure so far to attract significant foreign investment;

● The belief in the military hierarchy and the Communist party establishment that the Soviet Union's status as a superpower is at risk.

This last concern has been fuelled by the Soviet Union's withdrawal from eastern Europe and cuts in its armed forces and weapons. Moscow has, for instance, slashed its annual tank output from 3,800 in 1988 to a planned 700 this year. However, the technological prowess of the defence industry, long accustomed to receiving priority treatment over resources and manpower, has not been harnessed to new civilian purposes.

"Unless the military-industrial complex's appetites are cut back, and it is privatised, there will be little space to build a market economy," says Professor Nikolai Petrakov, who resigned as economic adviser to Mr Gorbachev last winter. Prof Petrakov believes that the defence industry's share of Soviet gross national product is "no less than 15 to 18 per cent". But according to Gosplan, the state planning agency that is now called the economy ministry, it accounted for just 6.1 per cent of GNP last year. Part of this discrepancy stems from the difficulty in collating [redacted] figures, though [redacted] accept Gosplan[redacted] low estimate.

There is, for instance, no clear breakdown of the military budget, and there is even a dispute over the true level of defence spending. The Soviet government says it has cut military spending in real terms by 10 per cent this year. It has explained what looks more like an increase – from Rbs70.97bn to Rbs98.6bn this year – by saying the figure set for 1991 was calculated in the higher new prices expected to result from price reform.

So far, conversion has not meant a restructuring of the defence industry, but an expansion of the existing civilian output of military enterprises. This means little since defence enterprises, with their unlimited access to resources and skilled staff, have long been required to produce consumer goods on the side, including most of the country's refrigerators and television sets.

Mr Vyacheslav Petrov is director of the Arsenal plant in Leningrad, which was set up by Peter the Great to manufacture cannons. He is looking for ways of turning his guns into butter, but is dispirited by the lack of a coherent state policy.

"No mechanism has been worked out for conversion," complains Mr Petrov, who works in [redacted] city where 70 per cent of industry is engaged in defence manufacture. His costs are rising while the prices he can charge for military wares have remained fixed by the [redacted]. And he [redacted] unable [redacted] attract foreign investors because of generally unfa[redacted]able Soviet conditions for investment, including the non-convertibility of the rouble.

Nevertheless, Mr Petrov says he is pressing ahead with his own conversion plans. His main product is naval artillery, but he also wants to mass-produce air compressors, for use in the mining industry, and he [redacted] seeking international partners to develop satellite systems for the early detection of earthquakes.

While some branches of the defence industry – such as military aviation, electronics, and telecommunications – lend themselves more [redacted] to conversion, others, such as [redacted] production, [redacted]e so specialised that their factories require large-scale investment for conversion or a decision to shut them down.

The government's old objective was to increase the civilian output of armaments plants from 35 per cent of turnover of the entire defence industry to 65 per cent in 1995. [redacted] its approach [redacted] been flawed in two respects: first, it believes that it should dominate the whole process of conversion, and second, that it should keep information about the defence industry secret – including, for instance, how many people work in the sector.

Having shunned the 500-Day Programme of radical economic reform last year, the Soviet government elaborated plans to carry out conversion under the auspices of the collapsing state-planning system. It decided to control the process until 1995 through the use of state orders – whereby the state provides the raw materials and components for what it wants an enterprise to produce – and through vast cash injections for plants.

But the fact that a draft law on conversion – promising financial benefits to the factories that undergo it – has yet to be submitted to parliament, confirms that the process has not started even on the government's terms.

Mr Valentin Smyslov, first deputy chairman of Gosplan, says it will cost Rbs9bn to convert defence plant to civilian uses and another Rbs31bn to expand existing civilian output. Even if the [redacted] afford these sums (and this is unlikely), there is no guarantee that the money will be used efficiently as long as enterprises continue to be nannied by the state.

The most compelling argu[redacted] opponents [redacted] radical reform – which would [redacted] some enterprises and privat[redacted] others – is its cost in terms of unemployment. Whole towns and regions – such as Leningrad [redacted] Urals – rely heavily on the defence industry. Some Soviet experts, and western experts such as Dr Julian Cooper of Birmingham University, say 5m – out of a total Soviet workforce of 170m – work in the defence industry. Mr Smyslov says that estimate is exaggerated, but he declines to say what the true figure is.

As the state distribution system continues to disintegrate and the government's finances worsen further still, enterprises may be forced to close anyway if nothing is done to help them produce the consumer products which people need or which can be exported.

Conversion is par excellence an [redacted] which could benefit from western [redacted] exploit potential for change – and from aid [redacted] help alleviate its unpleasant social side-effects. The Soviets would also welcome [redacted]litical [redacted] that the west would not take advantage of conversion to threaten their security.

Mr Andrei Kortunov, [redacted] researcher at [redacted] Institute of [redacted] Studies, argues that in any case [redacted] Union must be prepared for a weakening of its military might while it undergoes conversion, and builds a leaner but more efficient defence industry. "Conservatives argue against conversion, saying military might is the only thing we have to keep our status as a su[redacted] ... We are saying that [redacted] conversion, we will lo[redacted] status all the same."

Joe Rogaly

Tougher union law

[redacted] new trade union law [redacted] likely to be put forward next [redacted]. Its principles will be [redacted] out in [redacted] paper by the employment secretary, Mr Michael Howard.

Labour relations professionals need read no further. They need not even await the green paper. They know what they think. Any Tory law on industrial relations is either "union-bashing" or "an extension of freedom", depending on which professional [redacted] consult. Any proposal from Mr Howard is Thatcherite, whomsoever you talk to.

The truth is that the forthcoming bill, whose likely contents I shall outline in a minute, is a logical extension of the framework established by five Employment [redacted] dur[redacted] Mrs Thatcher's [redacted] Together with the [redacted] Union [redacted] these historic laws removed the unions from the extra-legal limbo in which they had previously thrived. Their precepts have been accepted by the Labour party, but the seventh bill will doubtless be opposed with all the skill that was deployed against the preceding half-dozen.

Take, for example, the 1984 act, which provided for secret ballots to elect trade union members, before strikes, and on the political levy union members [redacted] towards [redacted] upkeep of the Labour party. During the debate on these matters in November 1983, Mr John Smith, now Labour shadow chancellor, defended the then anarchic status quo *as relating to* "trade unions which were born in [redacted]racy, nurtured and developed by it and practise [redacted] almost every day".

Mr Tony Blair, now Labour's spokesman on employment, [redacted] the bill [redacted] and undemocratic measure [redacted] the trade union move[redacted] for partisan reasons". Mr Gordon Brown, now Labour's shadow secretary for industry, condemned it as "cynically conceived, contrived in its arguments, consistent only in its hypocrisy, subversive and one-sided in its effects".

[redacted] blush to recall that Mr Brown also managed to find a phrase in the Financial Times describing the bill as "a needless interference in trades union affairs", but this underlines my point, which is that [redacted] thinking about labour legislation has shifted over the past decade. After 1984 the trade unions won on the political levy, since most ballots favoured its continuation. Thatcher won the argument on the other ballots.

Now I hold no brief for Mr Howard. He was [redacted] round the country in 1989 to sell the iniquitous poll tax, which he insists to this day be called the community charge. He said then that he did it out of conviction; he says now that he has not changed his mind but that unfortunately the public was not persuaded. In short, the voters are either too dim to understand the community charge, or they are simply wrong.

That said, [redacted] deserves a reasoned response. It will provide for a stricter audit regime, giving members a right to full financial information, including the level of top officials' salaries, and an outside inquiry if necessary, [redacted] penalties for transgressions. This [redacted] brought on by [redacted] recent flurry [redacted] accusations, [redacted] disproved, against the stewardship of the National Union of Mineworkers.

Workers have to be protected from exploitation by law; the market alone will not suffice

The paper will also insist on compulsory postal ballots at all trade union elections. In [redacted] Mr Tom King, then employment secretary, [redacted]ubted [redacted] utility of this; he left workplace ballots as an option. The [redacted] political levy clauses are to be left alone, but arrangements whereby union [redacted] are collected by employers ("check-off") will be subject to the consent of each employee, annually renewed.

Then we get three big ones. First, union agreements will be presumed to be legally binding unless both parties agree that they are not. Some employers are as afraid of this as are the unions; it is uncharted territory and [redacted] could be adverse [redacted] either side. Second, individuals will be allowed to belong to the union of their choice, thus opening the way for inter-union poaching wars. Mr Howard dismisses arguments against this idea by pointing out that companies will not be obliged to recognise any particular union, including usurpers on previously established territory. Third, no strike will be le[redacted]l unless seven days' notice [redacted] given in advance. This was not invented as a "cooling-off period", but came in the wake of rail and bus strikes called without warning, to the inconvenience of the voting public. There is a fourth "big" new idea, but Mr Howard is keeping that up his sleeve.

There is no doubt that this list of measures would further weaken an already punch-drunk trade union movement. I am not sure how much of it will remain in force as Britain is absorbed into the European Community. The government's ability to hold out against all the provisions of the EC Social Charter remains to be tested. But that is beside the point. If you support, as I do, the general thrust of Tory union legislation, there is an important corollary. Workers have to be protected from potential exploitation by law; the market alone will not [redacted]. The case for some right to union recognition, followin[redacted] a proper workplace ballot, is therefore strengthened by Mr [redacted] propositions. [redacted] case against regulating *working hours, or setting a minimum* [redacted] weakened.

The government may benefit politically from another tranche of tough labour legislation. [redacted] would [redacted] even more if [redacted] concurrent revisions [redacted] company law – strengthening, for example, [redacted] mechanisms whereby shareholders, indirectly, and remuneration committees, directly, [redacted] executive compensation. But [redacted] is the responsibility of the industry secretary, Mr Peter Lilley. He could make his name by getting a corporate governance (transparency and reform) bill into the prime minister's proposed Citizens Charter, quick.

LETTERS

Reform prose

From Mr Walter J Boytinck.

Sir, Peter Norman ("The Group of Seven table piled high with problems", July 12) states that associate membership by the Soviet Union in the G7 may be of some help to Mr Gorbachev, and so may access to IMF expertise and advice on how to reform its economy. But perhaps the solution to 70 years of a command economy might be better found in the writing of Ludwig von Mises.

It was he who wrote as early as 1922 that socialism cannot work because the problem of economic calculation is insoluble in a command economy. Von Mises showed the way to a capitalist society and a consumers' democracy.

Walter J Boytinck,
4388 Pine Crescent,
Vancouver BC

Tecs and their staff need support

From Ms Julia Cleverdon and Mr David Grayson.

Sir, Your article on Tecs ("Training on trial", July 10) catalogues national problems and local difficulties without mentioning the very positive elements of the Tecs. Our experience at Business in the Community is that Tecs have transformed the agenda and action of the private sector locally. Thousands of hours of senior management time, and private sector energy and drive have been put in to develop the strategies needed to achieve better education, enterprise and training results.

Some Tecs have produced innovative solutio[redacted] to the problems caused by [redacted] plethora of "alphabet soup" initiatives. Others have broken training provider cartels. Most have convened key players in the local community to agree a range of strategic goals to improve skills and qualifications, and reduce school leaver "drop-out" rates.

Tecs need strong support as the most significant and ambitious private/public partnership yet attempted in the UK. They will be the "litmus test" which determines the private sector's willingness to get involved in other private/public sector partnerships. Business in the Community will express this view forcibly in our "Directions for the '90s" document to be launched later this month.

Tecs need time and patience from the rest of us to realise their potential. If they are to fulfil their role as strategic conveners they also need sufficient funding so that they contract out activities and do not have to keep services in-house and therefore become rivals of those who should be their partners and service providers.

Julia Cleverdon,
David Grayson,
joint managing [redacted]
Business in the Community
227A City Road, EC1V 1LX

From Mr C P Lamb.

Sir, Brian Jarvis's legitimate comments (Letters, July 10) about the planning for Tecs and national providers for training are devalued by his throwaway remark that Tecs should not have been staffed by civil servants.

The National Union of Civil and Public Servants, which represents those civil servants who have established Tecs in record time, strongly rejects his implied criticism of such dedicated people. Developing Tecs and simultaneously preserving those national programmes which are essential at a time of ever increasing unemployment was, and is, a tremendous organisational achievement. Without [redacted] expertise, many people would suffer both in the short and long term.

We welcome the wider debate about training in the UK and this union has a clear view of the relationship between government national providers and Tecs within the context of a national training strategy. We do not believe, however, that this debate can be enhanced by ill-considered or implied criticisms of civil servants.

C P Lamb,
deputy president,
National Union of Civil and Public Servants,
124/130 Southwark Street, SE1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

A simple transfer of shares

From Mr Stephen D Barber.

Sir, You were quite wrong to include, in a front page article, the case of Mr Tadao Yoshida among "Japan's list of scandals" (July 10). The 82-year-old Mr Yoshida, a man who created and built YKK over the [redacted] years, had simply transferred shares in his own company at a value based on the putative assessment for inheritance tax. In short, and under the advice of a – perhaps the – leading Japanese bank, he simply took measures to avoid tax like thousands of people in a similar position in Britain, America or elsewhere. The cheap juxtaposition of this story with tales of organised crime under the collective term "scandal" blackens the name of an essentially honest and respectable businessman.

Stephen D Barber,
Invesco Mim,
5th floor, Hakudo Dai-ichi Bldg,
10-4 Hatchobori 4-chrome,
Chuo-ku, Tokyo

The imperative for a CAP solution – with fundamental change

From P A B Prag.

Sir, It was refreshing to see in your leading article of July 12 such forthright comment on the Common Agricultural Policy. It is, of course, imperative that a solution now be found, but the position of the larger producer does still need to be properly considered. The MacSharry Plan proposes that larger farmers should bear a relatively higher proportion of price cuts.

In almost all other industries, there has been a trend towards amalgamation and growth, leading to larger and more effective units. The food producing industry, arguably the most vital of all sectors, cannot be such an exception to this rule even if it is currently showing surplus.

You suggest that larger farmers will not necessarily always be the more efficient. That may be so, but their size does at least still offer the potential for greater efficiency. Those larger farmers that do use the available economies of scale are not necessarily thereby so much more efficient that they can safely absorb disproportionate price cuts against the competition.

It cannot be reasonable to jeopardise in this way the longer-term ability of agriculture to produce whatever required amount of food at the best possible price. One must uphold the British view of preserving larger farming units throughout the Community and Mr Gummer (Letters, July 15) is right to do so.

P A B Prag,
chief agricultural manager,
Agricultural Mortgage Corporation,
AMC House,
Chantry Street,
Andover,
Hampshire

From Mr Philip [redacted]

Sir, Proposals to reform substantially the CAP should not be hastily dismissed by British farmers or environmentalists; both groups, along with manufacturing and services industries and consumers, need to ensure that its direction is maintained and developed.

Already the costs of CAP are too high. International economic and political dislocation occurs because of trade distortions engendered by production and export subsidies. The preservation of England's rural landscape, and that of its Continental neighbours, deserves proper attention and financial support. It is valuable and offers far more amenity than just its farm produce. Yet the damage the CAP causes the taxpayer, consumer and ultimately the very environment which is so well respected, demands that the policy is subject to fundamental change. As the machine gun was on the Somme, the CAP is to sound rural management. Higher farm commodity prices will facilitate this management not only in Britain but in developing countries which now face increasingly profound environmental problems, particularly the emerging democracies of central and eastern Europe which are confronted with the market and policy enigma of the CAP.

The G7 meeting this week will need to promote trade reform, not only to solve international tensions but to allow trade in manufactures and, services to develop for the profit of the developed countries themselves and the grace of the European countryside.

Philip Eliason,
deputy director,
National Farmers Federation,
Canberra, Australia

FINANCIAL TIMES
Tuesday July 16 1991

Majority shareholders also attack 'unjustified action by Bank of England' on closure

Abu Dhabi criticises BCCI auditors

By Robert Peston and Victor Mallet in London

THE Abu Dhabi authorities yesterday said they deplored the Bank of England's role in closing Bank of Credit and Commerce International and blamed Price Waterhouse, the auditor, for failure to uncover "irregularities" earlier.

It was the first public statement from Abu Dhabi on the BCCI affair. Its tone suggests that the Bank of England has failed to convince Abu Dhabi that the seizure [illegible] BCCI's assets was a necessary step.

Abu Dhabi, the richest of the seven [illegible] make up the United Arab Emirates, *has enjoyed* [illegible] *Britain* [illegible] *the UAE's* full independence in 1971.

Public criticism of the sort contained in yesterday's statement is highly unusual. However, Abu Dhabi has so far focused its attack on the Bank of England and has not moved the dispute into the diplomatic arena.

The ruling al-Nahyan family, the Abu Dhabi government and the Abu Dhabi Investment Authority (Adia) together own 77 per cent of the bank, which was closed 11 days ago by the Bank of England and other bank regulators.

The majority shareholders said they "deplore what they consider to be the unjustified [illegible] taken by the Bank of England, the Luxembourg Monetary Institute and other regulators on July 5".

The Bank of England closed BCCI after receiving a report from Price Waterhouse detailing a massive fraud. The Abu Dhabi shareholders said they could not "absolve Price Waterhouse from responsibility for not having discovered the irregularities earlier, since they have been auditors of a major subsidiary [BCCI Overseas] for 15 years and auditors of the whole group since 1987."

Abu Dhabi officials had talks with the Bank of England last week concerning BCCI's shutdown. Their statement runs to three pages and has been prepared with legal advice.

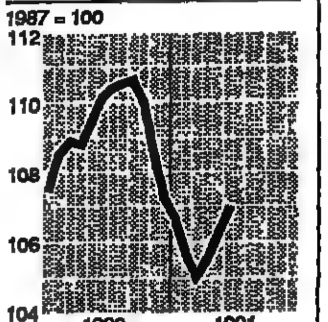
The statement takes the form of a detailed chronology of Abu Dhabi's involvement with the bank. It says that in October 1990, the president and chief executive officer of BCCI – Mr Agha Hassan Abedi and Mr Swaleh Naqvi – resigned "as a result of the disclosure of various irregularities".

The majority shareholders asked for an internal inquiry into these irregularities. They *are convinced they have taken* "effective steps" to prevent the occurence of new irregularities. The Bank admits the level of fraud at BCCI appears to have been reduced significantly in the past few months, but does not believe it was wiped out altogether. The Abu Dhabi shareholders said they had formulated a plan to restructure BCCI with the knowledge and encouragement of the Bank of England and other regulators. This plan, they say, was destroyed by the seizure of BCCI's assets.

Further BCCI news, Page 8

US industrial production index

1987 = 100



Source: Datastream

US output figures point to recovery

By Michael Prowse in Washington

US INDUSTRIAL production in June registered a solid increase for the third month running – a signal that recovery is well under way in US factories.

The Commerce Department said production rose 0.7 per cent last month, more than twice the increase expected in financial markets. Estimates for April and May were revised upwards to show increases of 0.5 per cent and 0.7 per cent respectively.

The steady and broadly based rise in production should reassure Washington policy makers who are anxiously monitoring economic data for evidence of a sustained recovery. Some recent figures – such as Friday's report of a 0.2 per cent fall in retail sales last month – seemed to indicate a disappointingly fitful recovery.

Separate figures yesterday for business inventories and sales in May were also encouraging. Sales rose 1 per cent but inventories fell by 0.5 per cent, indicating that production was lagging behind demand.

The ratio of inventories to [illegible] has fallen sharply in recent months, providing [illegible] scope [illegible] strong rebound in production if demand holds up.

Industrial production rose at an annual rate of 1.7 per cent in the second quarter as a whole – a sharp turnaround after falls at an annual rate of between 7 per cent and 10 per cent in the previous two quarters of recession.

However, the latest increases still leave production nearly 3 per cent below the level of a year ago.

The recovery was led by a marked rebound in the motor industry, which registered a 3.7 per cent increase in output last month. But many other sectors, including appliances, furniture, carpeting and construction supplies [illegible] noticeably.

Manufacturing output increased 0.7 per cent last month, after significant increases in April and May. Capacity utilisation in industry rose to 79.3 per cent in June, still below the long-term average of 82.2 per cent but well above the low of 78.4 per cent reached in March.

Mr Edward Yardeni, chief economist at C J Lawrence, the New York broker, said the production figures were further evidence of recovery but warned that growth over [illegible] next year was likely to be sluggish.

Mr Allen Sinai, chief economist at The Boston Group, an economic consultancy, said the most likely outlook was a continuing anaemic recovery. However, he did not rule out a "double dip" recession, with the economy retreating later this year after an artificial rebound following the end of the Gulf war.

Ford, VW in $2.8bn Portugal deal

By Patrick Blum in Lisbon and **John Griffiths** in London

FORD and Volkswagen signed a $2.8bn agreement with the Portuguese government yesterday to manufacture a new multi-purpose vehicle for the European market.

The plant, to start production at the end of 1994, will have a capacity of 180,000 *vehicles a year. It will produce* two versions of the vehicle, essentially a high-roof estate car with four doors, a large tailgate and a maximum of seven seats in three rows.

The vehicles will compete in one of the few sectors still enjoying rapid growth in Europe. Sales [illegible] multi-purpose vehicles on average have risen by 80 per cent a year since 1986, when the principal vehicle in the sector, the Renault Espace produced by Matra of France, became established.

The signing ceremony in Setubal, south of Lisbon, close to the site of the plant, took place after more than a year of difficult negotiations and controversy over the amount of EC and Portu[illegible] government aid for the project.

Matra has taken legal action against [illegible] European Commission's approval of aid amounting to 70 per cent of the investment. Mr Bruce Millan, representing the Commission at the ceremony, said it had "carefully considered the project in all its aspects, and made its decision in full confidence". He said the investment would help "to bring Portuguese industry to a new phase of development".

The Ford/VW joint venture is 50-50 owned by the two companies and will come under joint management. Ford will lead the manufacturing programme, with Volkswagen responsible for design and engineering. Each partner will supply its own 2-litre engines and transmissions for their respective versions, and each company will market its own vehicles in open competition.

Mr Lindsey Halstead, chairman of Ford Europe, predicted the venture would help significantly in confronting the Japanese challenge.

"This new project is part of our response: the market segment in which the new Ford and VW products will compete was opened up in Europe by a European manufacturer. However, all the recent growth of this segment has come from imports into Europe, mainly from Japan, but also from America, and more Japanese products will undoubtedly be launched in the next few years," he said.

Mr Fernando Faria de Oliveira, Portugal's minister for trade and tourism, said the plant "will be the most modern [car plant] in Europe using the most advanced technologies". It would have a spin-off throughout Portuguese industry and encourage the creation of new joint ventures and supply companies.

"The project will help Portugal move up to the first division" of industrialised economies, he said. It will employ 4,700 and help create indirectly up to 10,000 more jobs.

The red carpet treatment: A cleaner vacuums a welcoming carpet while two policemen wait for the arrival of the Group of Seven leaders yesterday at Lancaster House in London. Details and analysis of the day's G7 meetings, Page 4

Syrian flexibility wrong-foots Israel

By Hugh Carnegy in Jerusalem

[illegible] acceptance [illegible] US proposals for Middle [illegible] peace talks has left Israel in an uncomfortable position – [illegible] does not want to be the only party holding up negotiations but, equally, it does not want to be bounced into talks on conditions it has adamantly opposed in the face of international pressure.

President Hafez al-Assad's neatly timed move, on the eve of the G7 summit in London, wrong-footed the hardline government of Mr Yitzhak Shamir which raised a number of objections to President Bush's proposals shortly after they were set out in letters to Middle Eastern leaders last month.

By waiting until after the negative Israeli response and consulting with Washington before framing his own reply, President Assad stole a tactical march on Jerusalem which was sealed by his apparent willingness [illegible] on the [illegible] proposed Arab-Israeli talks.

Mr Shamir may now be faced with the choice of making his own compromises or risking [illegible] split with [illegible] administration just as his government is seeking US [illegible] guarantees for loans worth $10bn to finance Soviet Jewish immigration.

The first test will come next week when Mr James Baker, the US secretary of state, visits Israel to follow up the Bush proposals. The proposals envis[illegible] regional conference, co-[illegible] by the US and the Soviet Union, leading [illegible] bilat[illegible] negotiations [illegible] Israel and Arab [illegible] which would encompass the Palestinian [illegible].

Yesterday, [illegible] Bush said he was encouraged by the Syrian response. "W[illegible] still analysing the details, but it's very positive," he said in London. It was also welcomed by the Egyptian government and by senior Palestinians in the occupied territories and within the Palestine Liberation Organisation leadership in Tunis.

"As from now only the state of Israel rejects President Bush's efforts and proposals and constitutes the obstacle to getting the peace process under way," said Mr Bassam Abu Sharif, an adviser to Mr Yassir Arafat, the PLO chairman.

Israel was careful to welcome Syrian willingness to engage in direct talks with Israel. "If the Syrians have indeed expressed a willingness to sit down and negotiate with Israel on a peace treaty with Israel, then this is a very positive development," said Mr Moshe Arens, the defence minister.

It appeared Syria had accepted President Bush's proposal that the UN should be represented at a regional conference by a mute observer only and that the conference would not have an executive role – both points Syria had previously insisted upon.

Mr Shamir has so far refused to accept any UN presence or any reconvening of the conference which he says should be confined to a one-time ceremonial.

Mr Shamir's government is worried that the US and Moscow have promised Damascus they would ensure the negotiations adhered to UN resolutions 242 and 338 which call for Israel to give up occupied Arab lands in exchange for peace.

The Israeli government says this would impose the "land for peace" formulation – which it opposes – as a precondition.

Israel under US pressure [illegible] Syria [illegible] peace talks

Continued from Page 1

A statement from the office of Mr Yitzhak Shamir, the Israeli prime minister, said the government was awaiting full details [illegible] the Syrian response.

It said that if Syria's position "allows the opening of direct negotiations without interlocutors, we will look upon it favourably." But it then added: "Understandably, Israel will stand on all the positions expressed in the prime minister's letter to President Bush."

Mr Shamir was referring to his own response to plans outlined by President Bush when he wrote to Middle East leaders in June. In his letter, the US president proposed a regional conference followed by bilateral Arab-Israeli peace talks – plans which Syria has now accepted.

Mr Shamir objected to including a UN observer, arguing against any UN role on the grounds that the organisation is biased against Israel. He also rejected any executive role for the conference, saying it should meet only once to launch bilateral talks.

Mr Shamir further insisted on excluding the Palestine Liberation Organisation or Palestinians from Jerusalem.

US officials have not disguised their irritation with the Israeli government, not least its leaking of Mr Bush's plan. Some officials have argued that the US and the [illegible] Union, [illegible] co-sponsors of the conference, should go ahead and send out invitations.

Among the compromises suggested by President Bush was that the UN should be allowed to send a silent observer and that the conference should be allowed to reconvene periodically with the consent of all parties to hear reports from negotiating groups. This formula has been rejected by Israel.

THE LEX COLUMN

Chemistry lesson for bankers

Put two mediocre banks together and the result is not necessarily an efficient institution. This may, however, be the outcome of the merger announced yesterday by Chemical Bank and Manufacturers Hanover, both of which have been suffering from the legacy of the developing country [illegible] crisis and a surfeit of lending in the commercial real [illegible] sector. Working in their [illegible] is the [illegible] that theirs is the first such ambitious attempt to deal with the overcapacity fac[illegible] industry in the US. The lead they have gained might at least lend some attraction to the $1.25bn equity offering which is part of the deal.

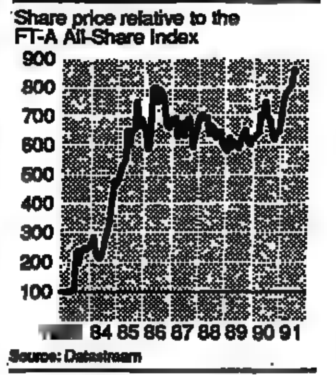
The possible cost savings from the merger are put by the banks themselves at $650m, as they rationalise their branch network and reduce their combined spending on technology. That alone should be enough to secure a substantial improvement both in the absolute level of earnings and in their quality, which in turn should make the share offering more attractive. Separately the two banks would have *found it* harder to raise so much new capital. Together they will have created a force which is bound to make the competition sit up and take notice.

Herd instinct among bankers is such that the example will doubtless have its imitators. One risk is that opportunities for exploiting efficiency gains may diminish as the partnerships multiply. The equity market might then tire of putting up fresh capital, especially in cases where there are doubts over the ability of merged managements to collaborate. The word in New York yesterday was that Chemical and Manufacturers Hanover should face minimal problems on that score. That is just as well, since success depends crucially on the new venture's ability to make savings through 6,200 painful redundancies.

FT-SE [illegible] **2,532.5 (+35.1)**

Tomkins

Share price relative to the FT-A All-Share Index



Source: Datastream

Markets

Yesterday's 35-point jump in the FT-SE [illegible] a curiously heartening display of strength against the odds. This is the strongest one-day performance since the last day of the Gulf rally four months [illegible] when the FT-SE first breached 2,500. Since then, it has been through 2,540 and fallen back no less than six times, the last setback being one of nearly 130 points. But after four months of trading within an unusually narrow range, the market is fretting for a break-out one way or another. At yesterday's level of 2,532, it is plainly [illegible] make it upwards.

The traditionally quiet month of July might seem [illegible] unlikely time for this, particularly since the FT-SE has risen [illegible] per cent in the month already. But volume has been surprisingly strong, rising above £1bn o[illegible] customer turnover on two days last week. The market is classically poised between the knowledge that cyclical recovery must come some day and uncertainty over its timing and scale. The clincher may still prove to be the simple fact that the yield on the All-Share is still very nearly 5 per cent, while inflation, however measured, is likely to be lower than that within the next few months.

This is not a strictly logical calculation, since equities are by their nature supposed to be an inflation-proof source of income. But it is powerfully suggestive all the same; and as the market is no doubt aware, the four brief occasions on which it happened in the past decade were all the prelude to an equity recovery.

Rosehaugh

The cynical rationale for a merger between Rosehaugh and Stanhope is that their combined gross debt of some £1.5bn will make their bankers even more scared of them than before.

There is little to be gained from conventional economies of scale. Both companies have been weakened by the property slump. Though Stanhope is under less pressure than Rosehaugh, both have to struggle to raise cash by property sales that are painfully slow in coming.

None of this will change with [illegible] merger, even supposing the financial details can be agreed between two companies with such tortuously complicated balance sheets.

The one small potential benefit is that it may become administratively easier to market the Broadgate joint venture. Meanwhile, the clock is ticking for Rosehaugh, which will soon have to contend with a downward valuation of its Broadgate investment that could put it in technical breach of its banking covenants.

No doubt the banks will have something to say about how these covenants will be affected by the merger proposals. The market marked the shares of both companies up initially, but then had second thoughts on the understandable grounds that in the short term, neither is strong enough to support the other.

Tomkins

Like all its fellow conglomerates, Tomkins is finding [illegible] recession tougher than la[illegible] Its increase in earnings last year of 5 per cent represents zero growth in real terms, or a modest real shrinkage in the second half. Tomkins also had the advantage of getting its teeth into a big acquisition last year, which suggests that acquisition is no guarantee of growth.

Nevertheless, the impression remains that Tomkins is unusual among its peers in the clarity of both its strategy and its accounting methods. The latter may not apply to its foreign exchange transactions where, like Hanson, it profited greatly last year by borrowing heavily in the US and depositing in the UK.

But it claims to have charged all the costs of rationalising the $550m Philips acquisition above the line, having made provisions of just £1m. Thanks to the rights issue accompanying the Philips deal, it also has a modest net cash pile of something over £50m.

At yesterday's 351p, the shares are on an historic multiple of 13 and a yield of 3.7 per cent. Given that earnings may be flat in real terms this year as well, this means the rating is assuming a fairly sharp recovery into the subsequent upturn. That may well be right, with or without the next big acquisition which the group now claims to be ready for. The ultimate [illegible] with Tomkins is that it may outgrow its capacity to manage itself, as Amstrad did. But at [illegible] Tomkins' directors, unlike Amstrad's, have been buying their company's shares lately.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	[illegible]	[illegible]	81
Algiers	[illegible]	[illegible]	66
Amsterdam	[illegible]	[illegible]	59
Athens	[illegible]	[illegible]	84
Bahrain	[illegible]	[illegible]	93
Bangkok	[illegible]	[illegible]	90
Barcelona	[illegible]	[illegible]	81
Beirut		–	–
Belfast	F	17	63
Belgrade	C	22	72
Berlin	C	[illegible]	66
Biarritz	C	[illegible]	70
Bombay	R	[illegible]	81
Bordeaux	F	[illegible]	72
Boulogne	C	[illegible]	59
Brussels	Dr	[illegible]	61
Budapest	C	[illegible]	73
Buenos Aires	F	[illegible]	[illegible]
Cairo	S	[illegible]	93
Cape Town	S	[illegible]	69
Caracas		–	–
Casablanca	S	34	93
Chicago	S	18	64
Cologne	C	22	72
Copenhagen	F	18	64
Corfu	S	30	86
Dallas	F	24	75
Dublin	F	19	66
Dubrovnik	F	21	70
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	S	30	86
Florence	S	31	88
Frankfurt	C	21	70
Geneva	S	23	73
Gibraltar	S	27	81
Glasgow	C	16	61
Helsinki	F	21	70
Hong Kong	C	30	86
Innsbruck	F	21	70
Inverness	[illegible]	[illegible]	[illegible]
Islamabad	F	36	[illegible]
Istanbul	S	28	[illegible]
Jakarta	F	32	[illegible]
Jersey	C	16	[illegible]
Johannesburg	S	16	[illegible]
Lima	C	20	[illegible]
Lisbon	S	35	[illegible]
London	C	19	[illegible]
Los Angeles	C	19	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	S	24	75
Madrid	S	33	91
Majorca	S	29	84
Malaga	S	28	82
Malta	F	26	79
Manchester	C	16	61
Manila	F	34	93
Melbourne	C	12	54
Mexico City	R	23	73
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	28	82
Montreal	[illegible]	19	66
Moscow	[illegible]	21	70
Munich	[illegible]	22	72
Nairobi		–	–
Naples	Dr	22	72
Nassau	F	34	93
New Delhi	S	36	97
New York	S	23	73
Nicosia	S	28	82
Oporto	S	29	84
Oslo	F	21	70
Paris	Dr	17	63
Peking	C	30	86
Prague	F	21	70
Reykjavik	S	13	55
Rhodes	S	27	81
Rio de Janeiro	R	21	69
Rome	[illegible]	[illegible]	[illegible]
[illegible]	C	19	66
[illegible]	C	13	55
Seoul	R	23	73
Singapore	S	32	90
Stockholm	F	19	66
Strasbourg	F	24	75
Sydney	F	16	61
Taipei	F	35	95
Tangier	S	32	90
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	S	26	79
Tokyo	S	27	81
Toronto	S	18	64
Tunis	S	30	86
Valencia	S	29	84
Venice	S	28	82
Vienna	F	23	73
Warsaw	R	17	63
Washington		–	–
Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

هكذا منه للأصل

FINANCIAL TIMES
COMPANIES & MARKETS
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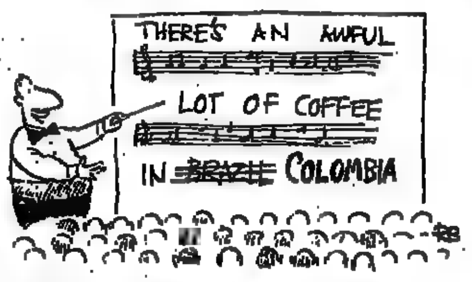
INSIDE

ICI plans expansion in south-east Asia

Imperial Chemical Industries, [illegible] leading British industrial group, [illegible] considering [illegible] significant expansion in Japan and [illegible] Asia, including forming strategic joint [illegible] with one or two Japanese chemical [illegible] Japanese operations [illegible] reported to [illegible] ahead of [illegible] – [illegible] up [illegible] – to triple sales in Japan by 1995. ICI's Japanese turnover [illegible] Y175bn ($1.27bn). Page [illegible]

Colombia grinds 'em down



For [illegible] time [illegible] exports [illegible] Brazil in volume [illegible] Many Brazilian producers [illegible] poor quality [illegible] partly responsible [illegible] the [illegible] of market share but few have the financial [illegible] to do much about it. Victoria Griffith reports. Page 27

Property groups in merger talks

Two leading British property groups yesterday confirmed that they [illegible] in [illegible]. A full merger between Stanhope, [illegible] by [illegible] Lipton (left), and Rosehaugh [illegible] a highly-borrowed entity with [illegible] largely - but not exclusively - in central London. In [illegible]tion to the news, Rosehaugh [illegible] to [illegible] and Stanhope was unchanged [illegible] 42p. Page 26

Caught on the hop

The Australian stock market [illegible] yesterday by [illegible] from [illegible] Pacific Dunlop for Petersville Sleigh, the country's [illegible]-largest food company. At one [illegible] Petersville shares hit A$1.20 (US$0.92) before falling [illegible] the [illegible] Westfield reports. [illegible] 22

Ellis & Everard profits rise 14%

Ellis & Everard, [illegible] UK chemicals distributor, achieved a [illegible] per cent [illegible] in pre-tax profits from £15.4m [illegible] £17.5m ($28.7m) in [illegible] year [illegible] end-April. Mr Peter Wood, managing director, said [illegible] of [illegible] in [illegible] pre-tax profits by [illegible] during [illegible] year. [illegible] 26

[illegible] long Hong Kong

County [illegible] yesterday announced [illegible] of [illegible] Hong Kong and Singapore [illegible]. The group will [illegible] the Asian [illegible] from [illegible] Japanese and Australian [illegible] reports. [illegible]

[illegible] Statistics

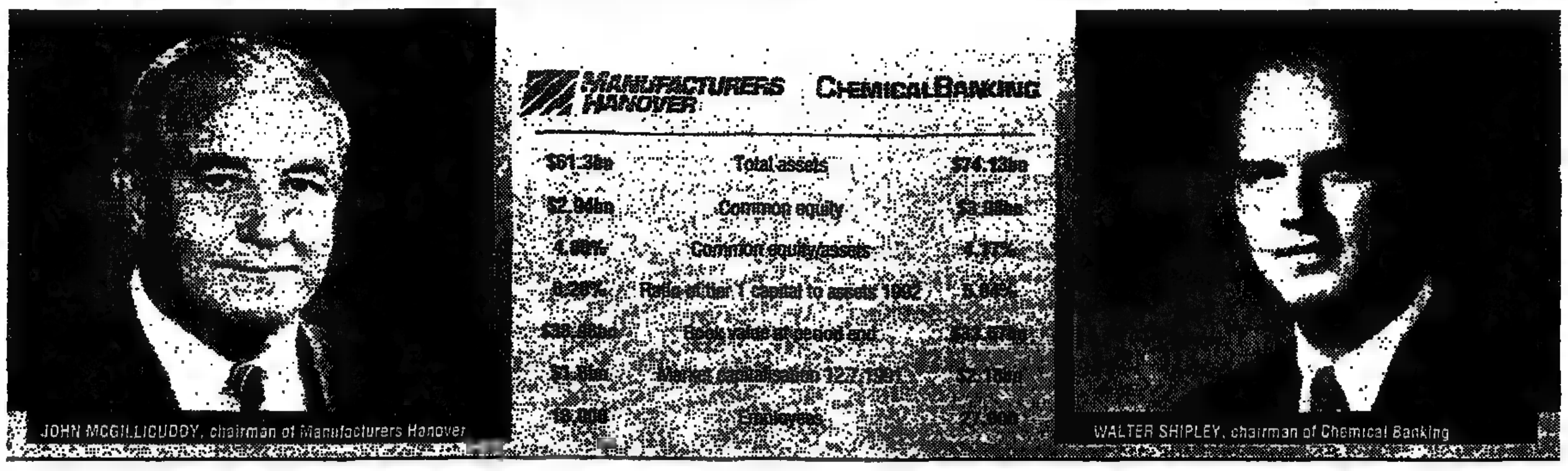
Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				[illegible]			
BMW	493	+	7.5	[illegible]	695	+	16
Hapag Lloyd	390	+	4	Cred Lyon	525	+	[illegible]
Falls				Imm de [illegible]	[illegible]	+	[illegible]
Aachen Mch	865	–	[illegible]	Seb [illegible]	1536	+	33
Colonia Vers	970	–	35	[illegible]			
Linotype	563	–	8	[illegible]	796	–	19
PWA	280	–	6	Union Immob Fr	475	–	20

NEW YORK ($)				TOKYO (Yen)			
Rises				[illegible]			
Chase Manhattan	19⅞	+	1⅞	Kyodo Printing	[illegible]	+	190
Chemical Bank	25⅜	+	2	[illegible]	[illegible]	+	73
Citicorp	14⅝	+	⅝	[illegible]	1500	+	200
First Chicago	24¼	+	1	Sata Construct	1370	+	200
Man. Hanover	28⅞	+	5⅛	[illegible]	[illegible]	+	200
Falls				Takuma	1290	+	200
Time Warner	88⅝	–	1⅛				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Scottish TV	415	+	22
ADT	630	+	[illegible]	[illegible]	345	+	27
[illegible]	96½	+	4½	Stanley Leis	140	+	6
Airtours	503	+	18	Thorgar Bdx	44	+	3
Allied-Lyons	552	+	12	Wellcome	721	+	26
Beazer	78	+	[illegible]	Williams Hdgs	322	+	12
Body Shop	259	+	10	Falls			
Campari	346	+	[illegible]	Barratt Devs	74	–	[illegible]
Fisons	507½	+	13½	Hepworth	360	–	12
NatWest Bank	315	+	16	Magnetic Mills	53	–	4
Reckitt Colman	1655	+	[illegible]				
Rosehaugh	38	+	5				



JOHN MCGILLICUDDY, chairman of Manufacturers Hanover

WALTER SHIPLEY, chairman of Chemical Banking

The weak merge, hoping to be strong

Alan Friedman reports on the planned merger that will create the US's second-biggest bank

The biggest commercial banking merger in US [illegible]tory – [illegible] combination [illegible] Chemical [illegible] Manufacturers Hanover Trust, announced in [illegible] York yesterday – signals [illegible] in US [illegible] finally underway.

The [illegible] applauded by Wall [illegible] analysts. They pointed to [illegible] intended cost [illegible] of [illegible] to be [illegible] four [illegible] they were pleased at [illegible] strengthened consumer banking business that will result from the combination.

[illegible] from [illegible] big banks have been exploring mergers since last autumn, but planning to wait until the [illegible] of their real [illegible] loan [illegible] provisions were behind them [illegible] bank [illegible] prices had begun [illegible] improve. That hour has now come.

Yesterday morning Manny Hanny's [illegible] price was [illegible] by [illegible] to $28⅞ on the strength of the merger news, double the rise in the share price rise since January. Chemical, which had seen its share price more than double from a very low base in the past [illegible] months, [illegible] up by $2 [illegible] $25⅞ in the morning.

The merger, [illegible] deal according to the banks, has been rumoured for more than year. Mr Jim McDermott, president [illegible] bank [illegible] Keefe Bruyette, says it poses "a formidable challenge" to both Citicorp and Chase Manhattan, currently the first and second biggest US banks. Together, Chemical and Manny Hanny will have 680 US branches and $135bn of assets. This means that Chase Manhattan – with 270 branches and $100bn of assets – has been leapfrogged by two of its principal rivals.

Until just a few days ago it appeared that the distinction of overtaking Chase in asset terms would go [illegible] the [illegible] being discussed [illegible] NCNB [illegible] North Carolina and Citizens [illegible] Southern/Sovran, in Atlanta.

Mr Tom Labrecque, the chairman [illegible] Manhattan [illegible] was [illegible] – along with many [illegible] – into savage job and dividend cuts as operating [illegible] and loan [illegible] mounted, said he telephoned Mr Walter [illegible], Chemical's chairman, [illegible] offer congratulations [illegible]terday morning.

"They are doing something that is very good for them," Mr Labrecque said, adding that the consolidation in US banking [illegible] represents [illegible] country [illegible] good for the US banking industry."

[illegible] asked [illegible] threatened by the Chemical-Manny Hanny deal, Mr Labrecque said no. He said the deal "only emphasises we must implement the strategy we are on," and that everyone in US banking is trying "their damnedest to get the right strategy."

Neither Chemical nor Manny Hanny was looking particularly healthy on its own – and it remains to be seen whether the piling together of bad debts will outweigh the benefits of rationalisation, such as the cutting of 6,200 jobs from [illegible] combined entity's workforce of 45,000.

The two banks say they have been in active negotiations for the past 60 days, but insiders began hinting at the talks last autumn. It was about that time – last October – that Chemical Bank slashed its third quarter dividend by 63 per cent, revealed a $250m bad debt provision and suffered a $43.7m loss.

Mr Walter Shipley, Chemical's chairman, said at the time his goal was to build equity capital rapidly in the most conservative way. He said that US banking was heading for a rocky period.

That same month, Manny Hanny disappointed the market with third quarter earnings of $77m – [illegible] expectations – and a $115m loan loss provision higher than expected.

The [illegible] that brings the [illegible] together was [illegible] by [illegible] John McGillicuddy, Manny Hanny's chair[illegible], as as "superb strategic fit."

The merged bank holding company – to be established by year-end – will rank first in primary relationships with major US corporations [illegible] will have a strengthened position internationally in corporate finance, loan syndications, foreign exchange trading, interest [illegible] swaps and cash management.

More importantly, the new bank – to be called Chemical Banking Corporation – will have the largest market share of consumers and small businesses in the adjacent states of New York, New Jersey and Connecticut, with combined deposits in the region of $56bn.

The deal is a test-case for the controversial theory of "in-market" [illegible] – the term used to [illegible] combinations [illegible] banks that operate in the same regional market. The issue is whether putting together two relatively weak banks in the same market is better than a merger of, say, a Californian bank and [illegible] New York bank. Those who support in-market mergers say that they offer the money-centre banks' only opportunity of generating [illegible] quickly, by slashing costs [illegible] adding [illegible] earnings.

Keefe Bruyette's Mr [illegible] he [illegible] optimistic about prospects for [illegible]tion: "Each institution was trapped in a realm of mediocrity. They had low earnings, declining capitalisation and a loss of favoured status in the banking market. But our view is that the two were not so far deteriorated that it would affect prospects."

Mr Frank Suozzo, an analyst at S.G. Warburg, says the merger is a good deal both financially and strategically. He reckons the cost-saving will amount to 14 per cent of the combined company's expense base. Manny Hanny's present expenses represent 84.8 per cent of total revenues, he says, while Chemical's ratio is 74.8 per cent of revenues. This compares with an average ratio for big commercial banks of 67.9 per cent; the best ratio is that of J.P. Morgan at 59 per cent.

At 14 per cent, the estimated cost savings are far less than the 30 per cent achieved in California by Wells Fargo when it bought Crocker National Bank from Midland, but costs in New York's depressed market are more out of control. The deal could also lead to tax benefits of $850m over the next four years, which will be needed as restructuring charges take their toll.

Only half of the cost savings will come from job cuts, says Manny Hanny's Mr John McGillicuddy, who will chair the merged bank. Most of the savings will come from real estate, he said, such as closing branches, [illegible]tional [illegible] and Chemical's headquarters building.

Numbers aside, [illegible] deal [illegible]sents [illegible] first attempt by two New York money [illegible] to achieve [illegible] profitability that has allowed the big regional banks to make [illegible] running in [illegible]

The ability of money [illegible] with regionals has been impaired by loan losses and by the collapse of margins and shrinking of lending opportunities in the area of large corporate loans. Regional banks that derive more earnings from individual customers and middle market companies have had fewer problems.

The merger will not provide an overnight remedy for two banks which have been heavily exposed in recent [illegible] to Third World debt losses, domestic corporate and commercial real [illegible] problems and [illegible] sharp recession afflicting [illegible] York area.

But the [illegible] banks [illegible] group have been [illegible] for taking so [illegible] to the crisis that engulfed them last winter. Yesterday's merger announcement is a sign that two banks, at least, [illegible] able to take hard decisions.

[illegible] is clearly [illegible] harbinger of things to come. In New York, it should put Citicorp and Chase on guard, especially in the retail banking area that is so crucial to Citicorp's profits.

In January Mr John Reed, chairman of Citicorp, opened the [illegible] to [illegible] possible merger [illegible] joint [illegible] by America's leading bank. He said, however, that it would not come under consideration for at least the next six to eight months. No top banker – including Mr Reed and Mr Labrecque of Chase – is prepared to discuss whether merger discussions are under way. But it is beginning to look as though the much rumoured – and much needed – merger wave among America's big banks has begun.

THE announcement [illegible] second-quarter [illegible] Chase Manhattan yesterday appeared [illegible] have buried any remaining doubts about the bank's health. Chase, which owns New York's second-largest and the nation's third-largest bank, reported consolidated net income of $132m, up from $52m in the same period last year.

Meanwhile, First Chicago, which owns First National Bank of Chicago, the 11th largest in the US, reported second-quarter net income of $57.3m, down from $87.4m in the same quarter a year ago.

Details, Page 21

Philips sells CD plants to PolyGram

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is selling two compact [illegible] in Germany and [illegible] PolyGram, [illegible] 80 [illegible] cent-[illegible] record company, for $100m.

The [illegible] will [illegible]ly-needed cash for Philips. It [illegible] give PolyGram its [illegible] manufacturing capacity [illegible] turning [illegible] into [illegible] major producer [illegible] leading vendor [illegible] CDs.

The two [illegible] over, Germany and Louviers, France. Their combined production capacity [illegible] 140m CDs [illegible] year, representing nearly [illegible] per [illegible] CDs which PolyGram, [illegible] third [illegible] company, expects to [illegible] in 1991.

[illegible] sale [illegible] to the [illegible] generation [illegible] CD production technology being developed [illegible] both sites.

Philips [illegible] in October it intended [illegible] plants [illegible] PolyGram following [illegible] unravelling of the Dutch company's [illegible] joint venture with Du Pont of the US.

[illegible] German and French [illegible] former joint venture [illegible] owned [illegible] plants in Blackburn, UK, and [illegible] Mountain, North Carolina. Philips, which gained control over these [illegible] was split up, will [illegible] the Blackburn site, which produces large-format CDs [illegible] the Philips [illegible] and "CD-Vs", compact discs combining music and images.

Philips said it was talking to an unnamed party about selling the North Carolina factory but declined to give details.

PolyGram originally owned the Hanover plant but sold it to Philips in 1986, before the CD boom began in [illegible] site has production capacity of 110m discs a year. The Lou[illegible] plant's capacity is being expanded from 30m to 45m discs [illegible] year.

A PolyGram spokeswoman said the acquisition, which will take effect retroactively from July 1, would not dilute 1991 earnings. A Philips spokesman said the transaction [illegible] not yield [illegible] profit as it involved the sale of assets to a consolidated company.

Philips [illegible] 20 per [illegible] PolyGram in late 1989. Following Philips' plunge into [illegible] in 1990, speculation increased that it might sell off more shares. However, so far Philips has said only that it wants to retain its PolyGram shares in order to sustain a crucial link [illegible] the "hardware" and "software" sides of the consumer electronics industry.

NCR profits fall 14% to $99m on lower revenues

By Patrick Harverson in [illegible] York

NCR, [illegible] US computer [illegible] which [illegible]cessfully fought off a [illegible] bid from [illegible] Telephone and Telegraph, [illegible] telecommunica[illegible] group, yesterday reported [illegible] 14 per [illegible] decline in [illegible] quarter profits [illegible] on slightly [illegible] of $1.55bn.

Earnings per share for the quarter [illegible] 9 [illegible] $1.51 [illegible] share, which included special charges [illegible] $6m, [illegible] 5 [illegible] share, [illegible] the pending [illegible] with AT&T.

NCR warned yesterday [illegible] profits [illegible] during [illegible] half [illegible] this [illegible] would [illegible] unlikely [illegible] match 1990 [illegible] difficult trading condi[illegible] home and abroad.

The company attributed the fall in second quarter earnings [illegible] and foreign revenues, higher [illegible] and [illegible]opment [illegible] and [illegible] operating [illegible]. The company [illegible] blamed currency factors, saying [illegible] stronger [illegible] reduced the value [illegible] earnings.

However, orders from abroad fell in local currency terms over the quarter because of deteriorating trading conditions in Europe, which offset improved revenues from the Pacific region.

Excluding the impact of cur[illegible] changes, worldwide revenue fell 5 per cent in the quarter.

Domestic [illegible] were also [illegible] and [illegible] for business remained gloomy. Mr Charles Exley, chairman, warned. He said: "[illegible] continued US recession, together with the weakening [illegible] environment in Europe, [illegible] major contribu[illegible] to our disappointing [illegible] results in the second quarter. These poor business conditions, coupled with the stronger US dollar, make it unlikely that we will achieve the record levels of revenue and earnings per share attained in 1990."

Mr Exley said the group would be well placed to capitalise on recovery in the world and US economies because of the introduction of products in the System 300 family of computers.

He [illegible] from [illegible] with [illegible] were beginning [illegible] be [illegible] but would [illegible] specify how. In May, [illegible] agreed [illegible] the [illegible] bid from AT&T, ending [illegible] six-month struggle by the computer group to remain independent.

Mr Exley, who had opposed the takeover, is [illegible] retire once [illegible] is completed [illegible] this year.

Tomkins surges 45% to £112m

By Richard Gourlay in London

TOMKINS, the UK-based conglomerate, yesterday reported a 45 per cent increase in profits, partly due to the acquisition last August of Philips, a US industrial group.

Pre-tax profit in [illegible] year [illegible] May [illegible] rose from £77.06m ($123m) to £112.1m on sales up 44 per cent at £1.04bn. Earnings per share rose 5 per cent to 26.31p and the group will pay a 7.06p final dividend. This makes a total dividend for the year of 9.86p, up 20 per cent.

Mr Gregory Hutchings, [illegible] chief executive, said the results demonstrated the benefits of being broadly-based [illegible] difficult world markets. The group derives 65 per [illegible] of [illegible] operating profits in the US, [illegible] it [illegible] Smith & Wesson, [illegible] handgun manufacturer.

Tomkins turned [illegible] net debt and 6 per cent gearing into net cash of £46m, through a strong cash flow and tighter control of working capital.

Net interest earned rose from £984,000 to £8.76m as the group received more on UK cash balances than it paid on US borrowings.

Tomkins raised £340m in a rights issue last year. It paid $550m (£344m) for Philips Industries, the US industrial group which makes air conditioning equipment, baths and windows for mobile homes.

Mr Hutchings said Philips' trading performance had [illegible] disappointing, although the scope for cutting overheads and costs had exceeded expectations.

Philips – or Tomkins Industries, as [illegible] has been renamed – made profits of £26m on sales of £330m since August.

After the acquisition, Tomkins cut Philips' head office staff by more than half to 100, reduced [illegible] units by [illegible] third [illegible] 15, moved some production [illegible] and decreased the number [illegible] by six to 50.

Tomkins adopted a conservative approach to [illegible] integrating Philips. It took all but £1m as on-going costs, rather than providing for them in [illegible] balance sheet.

Although [illegible] were some signs [illegible] turnround in the housing and mobile home-related business, Philips had not yet enjoyed any of the benefits.

In the pre-Philips group, sales fell 1.6 per cent with lower profits at fluid controls and services-to-industry divisions. Trading profits, however, were about 1.9 per cent higher at £71.6m.

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INTERNATIONAL COMPANIES AND FINANCE

Discord halts progress at VEV bail-out discussions

NEGOTIATIONS [illegible] the [illegible] of VEV, the struggling French textiles group, remained deadlocked yesterday with bank [illegible] and possible rescuers still in disagreement [illegible] terms for the bail-out, writes [illegible] Graham.

Two [illegible] partners have submitted rescue plans: Mr Emmanuel Coste and Mr Jöel Picard, who have already taken over and turned around the bankrupt nappy producer Celatose; and Mr Henri Blanchet and Mr Christian Moretti, who have built up the Dynaction group [illegible] a market capitalisation of FFr1.25bn [illegible] through a [illegible] strategy of taking [illegible] troubled or stagnating [illegible].

Although few details [illegible] rival plans, both demand substantial [illegible] from the [illegible] who [illegible] more than FFr3bn of loans [illegible] risk.

Crédit Lyonnais, the state-controlled bank, [illegible] understood to have more than FFr1bn engaged.

Mr [illegible] Bello, [illegible] new [illegible] executive, told a shareholders' meeting yesterday that negotiations were continuing. He expected a decision this week.

In May, the French Finance Ministry's industrial reconstruction committee devised a temporary lifeboat for VEV, with government [illegible] banks together putting up FFr300m of short-term funding. This [illegible] due [illegible] expire on Saturday and, if no agreement [illegible] by then, VEV may [illegible] to file for bankruptcy.

The government has been seeking to prevent this, hoping to keep the group as a going concern and to avoid splitting [illegible] up to sell off individual units separately.

The Coste/Picard [illegible] Blanchet/Moretti proposals envisage keeping the bulk [illegible] together, although [illegible] appears [illegible] on Société Française du Lin, the loss-making linen subsidiary.

Whichever rescue plan [illegible] eventually adopted, however, VEV is expected [illegible] have [illegible] 11,000 workforce.

Mr Christian Derveloy, the ousted and [illegible] former [illegible] of VEV, [illegible] understood to have [illegible] a proposal [illegible] buying out parts [illegible] company.

VEV lost FFr800m last [illegible], with operating losses [illegible] FFr270m on sales of FFr5.7bn and FFr521m of net financial [illegible].

Mr [illegible] yesterday's [illegible] meeting [illegible] in the [illegible] of 1991 [illegible] "strongly negative" with [illegible] down 14 [illegible].

TV-am in danger of losing franchise to higher bidder

By Raymond Snoddy in London

TV-AM, the financially successful commercial breakfast television company, appears to be in danger of losing its franchise.

TV-am, the most profitable company in the ITV system with pre-tax profits of £26m in the year to the end of January, has almost certainly been outbid for the franchise by its two rivals, Daybreak and Sunrise.

Sunrise, a consortium grouping London Weekend Television, the Walt Disney Company, the Guardian and Manchester Evening News and Scottish Television, has submitted what is believed to be the highest bid at £35m.

Shareholders of Daybreak, which bid around £34m for the national breakfast franchise, include Independent Television News, MAI, Carlton Communications, The Daily Telegraph, the National Broadcasting Company and Taylor Woodrow. It [illegible] chaired by Sir Paul [illegible] former managing director of BBC [illegible]

Mr Bruce Gyngell, chairman and managing [illegible] of TV-am, declined to discuss the bids last night. However, it is believed the company has bid less than £30m and possibly as [illegible] as [illegible]

Under the rules of the competitive tenders by which new commercial broadcasting licences are being awarded, the Independent Television Commission in most cases is required give the licence to the company that bids the highest.

All bidders have to meet a quality threshold before their cash bids are even considered.

TV-am's best hope of survival is that its high bidding rivals will fail to get over the threshold because their programme proposals are deemed to have fallen short or because their bids are considered too high to be sustainable.

In addition to the cash bid, which is indexed over the 10-year franchise to retail prices, the winner of the breakfast licence also has to pay 15 per cent of its net advertising revenue to the government.

Last year, TV-am's advertising revenue totalled £88.4m. Sunrise, if it wins the franchise, would start by paying about £50m a year to the government – £35m for the franchise plus 15 per cent of an estimated £90m in advertising revenue.

Mr Gyngell has already warned that if TV-am fails to retain the franchise, the company would be liquidated.

However, if the franchise is awarded to either of its rivals, TV-am would challenge the decision. The company believes there are errors in the Sunrise application and objects to ITN's participation in the Daybreak consortium on the grounds that Daybreak would have access to subsidised news programming.

Sunrise plans include linking up with the regional ITV companies to provide local weather and traffic news for each region at breakfast time.

Ghosts of aviation rattle airline industry

Nikki Tait looks at [illegible] resurgence of entrepreneurial spirit in the recession-hit sector

IS the spirit of Howard Hughes, Collett Woolman and [illegible] Trippe – avia[illegible] pioneers [illegible] built up companies such [illegible] World Airlines, Delta and Pan Am - stalking America[illegible] airline industry?

Certainly, the severe financial turbulence which has hit the sector recently has failed to ground entrepreneurial dreams. For, while executives at established carriers struggle with waves of price-discounting and rampant overcapacity, an upsurge of interest in forming new airlines appears to have emerged.

Two schemes, in particular, have attracted widespread publicity. The first is a plan by a group of Latvian immigrants to fly between New York and the Soviet Union. The second would involve the creation, Phoenix-style, of a new Atlanta-based carrier out of the ashes of the now-defunct Eastern Air Lines.

This, moreover, may be the tip of the trend. According to the US Department of Transportation, which is required to give the go-ahead to any new operator, there are currently eight applications to start jet aircraft services in the pipeline. Clearly, approvals are by no means guaranteed, and all schemes would require an additional green light, on safety matters, from the Federal Aviation Authority. Nevertheless, officials describe this level of applications to run new, non-commuter airlines as "extremely high".

If even a portion of these dreams come to fruition, it will mean a significant sea-change. In contrast to the post-deregulation era in the 1970s, the recent trend in the US industry has been towards consolidation, with smaller carriers such as Peoples Express, Piedmont and Ozark being absorbed into larger groups. According to official figures, only eight new airlines have come into being since 1988, and only one – Trans State – in 1991.

Howard Hughes: shades of his pioneering verve?

Not surprisingly, most analysts think that concentration will remain the dominant pattern: with four carriers filed for bankruptcy [illegible] staking its future on an ambitious debt restructuring, the chances of a further shake-out look high. That said, ambitions burn brightly, and recent reductions in capacity have left the market awash with aircraft and trained personnel.

"New Eastern" is a case in point. When the old Eastern Air Lines grounded its fleet in January, some 18,000 employees and 190 aircraft were out of a job.

C[illegible] – [illegible] in [illegible] Washington, [illegible] example – were quickly snapped up by larger carriers. However [illegible] fate of Eastern's operations in Atlanta – Hartsfield was a hub airport, but Delta's commanding presence always overshadowed its ailing rival – went largely unresolved.

That provided an opening for Airline Acquisition Corporation. This ini[illegible] comes from a mix of former Eastern pilots and local businessmen, and the aim is start a regional carrier based at Hartsfield, by buying many of the Eastern assets there.

Already, 170 former Eastern pilots have contributed "seed money" – $5,000 apiece – to the project, and the group claims to have $160m of equity capital commitments, plus additional offers of loan finance.

Meanwhile, with the help of consultants, a plan has been devised involving flights to 12 east coast cities at the outset, and 40 by the end of the first year. AAC suggests that 4,000 new jobs would be created, and that it could account for about 14.5 per cent of departures from Hartsfield. Eastern's share, by 1990, stood at around 36 per cent.

As a measure of its serious intent, the team has called in Wall Street's Shearson Lehman as investment banking advisers, and is due to start talks with the Atlanta Aviation Commissioner next week. Even so, given the formidable competition which Delta would pose, and some of Eastern's past problems, many analysts are sceptical about the project's chances.

Asked why it believes the scheme would fly in the face of past precedent, AAC says simply that "there are significant advantages in starting from scratch".

Air Baltia, the Latvian initiative, is a different matter. After some delay, and against the advice of an administrative law judge, the Department of Transportation awarded this embryonic airline a route authority between New York's JFK and Leningrad and Riga, with services on to Kiev, Minsk and Tbilisi. The plan is for five flights a week to each of the main destinations.

Heading the project is Igor Dmitrowsky, a Latvian engineer-cum-businessman, who [illegible] already founded a company making soft, yoghurt-style drinks.

With only four months in hand, Baltia's 15-strong management team is currently shopping for aircraft, financing, [illegible] systems and much more [illegible] that services can start, as promised, [illegible] beginning [illegible] October.

The start-up costs are put [illegible] although the total funding target is more like $50m. One lawyer advising the company concedes that matters are still "somewhat flexible" on this score, although he suggested the airline should buy its three initial aircraft this [illegible]

If such projects smack of "Boy's Own" adventures, this should not be allowed to mask a fairly significant political dimension to the "new airline" trend. Cries for re-regulation of the US airline industry have been muted by the horrendous losses over the past 12 months.

However, if analysts are correct in predicting the emergence of only three "super carriers" in the years ahead, it seems that competition complaints will inevitably resurface. One obvious riposte is to point to the ready entry of new players into the industry.

Such thinking clearly weighed with the DoT when the Riga-Leningrad [illegible] were awarded. "Baltia," it said, "provides an opportunity . . . to achieve [illegible] long-term competitive benefits associated with expanding [illegible] number [illegible] carriers offering international [illegible] transportation".

Now, all the airlines have to do is fly.

COMPANY NEWS IN BRIEF

EASTMAN KODAK has paid Polaroid $925m to settle a patent litigation suit, Reuter reports. The payment includes the court's amended judgment of $873m plus post-judgment interest of $52m.

Polaroid said that, as part of the settlement, both parties agreed to dismiss all appeals and companion cases.

Mr I. MacAllister Booth, Polaroid chairman, said: "[The settlement] is in the best interests of the company and our shareholders."

■ THE GARDINI and Ferruzzi families are close to an accord on the sale by the Gardinis of their 23 per cent stake in Serafino Ferruzzi, which controls agro-industrial group Ferruzzi Finanziaria, agencies report.

Ferruzzi said the talks were proceeding well, and an accord should be announced soon. The two families opened [illegible] July 3 following several months of [illegible] over the [illegible] the [illegible] trial group.

Mr Raul Gardini was ousted as head of Serafino Ferruzzi this summer, and his son, Mr Ivan Francesco Gardini, was replaced [illegible] chairman of Ferruzzi Finanziaria.

■ LYONNAISE [illegible] Eaux-Dumez will raise its [illegible] in French heating company Compagnie Parisienne de Chauffage Urbain to 51.6 per cent by buying a 26 per cent stake from state-owned utility Electricite de France, Reuter reports.

Lyonnais-Dumez will acquire the 26 per cent CPCU stake by selling EDF [illegible] per cent stake in waste managem[illegible] firm Societe de Traitement Industriel [illegible] Residus Urbains, Lyonnaise-Dumez and EDF said in a joint [illegible] As a result, EDF will raise its stake in STIRU to 51 per cent.

The companies said the financial terms of the deal had been submitted to regulatory authorities and will be made public later.

■ AACHENER und Muenchener Beteiligungs, the German holding company, is about to finalise th[illegible] acquisition [illegible] a Greek mixed insurance firm. It is also establishing an insurance company in the country, Reuter reports.

Mr Wolf-Dieter Baumgartl, chairman of AMB, speaking to shareholders at the annual meeting, did not name the Greek insurer it was acquiring.

AMB is joining with a Czechoslovakian company to create an insurance company in Greece to start business by the end of next year.

INTERNATIONAL COMPANIES AND FINANCE

Tough going for Chemical Bank

By Karen Zagor in New York

CHEMICAL BANK and Manufacturers Hanover, the two New York banks which expect to merge into the second largest US banking group by 1992, both reported lower underlying second-quarter earnings yesterday.

Chemical turned in a 17 per cent drop in net profits to $94m, or 82 cents a share, from income of $113.1m, or $1.02, a year earlier. Chemical's provision for loan losses jumped 65 per cent to $135m from $82m a year ago.

The bank's non-interest expenses rose 7.4 per cent to $682.9m from $635.9m, while non-interest income grew 5.6 per cent to [illegible] from $338m, reflecting improved spreads.

Chemical attributed the increase in operating [illegible] mainly to increases in foreclosed property costs, FDIC [illegible] and [illegible] adverse impact of foreign [illegible] translation from overseas operations.

For the first [illegible] months, Chemical's net earnings fell 32 per cent to $181m, or $1.56 a share, from $264.8m, or [illegible]. The 1990 results include a pre-tax gain of $114.7m from the sale of its investment in Florida National Banks and a pre-[illegible] restructuring charge of $52.3m. Excluding these extraordinary items, Chemical earned $214.8m in the first six months of 1990.

Manufacturers Hanover had net income of $75m, or 78 cents a share. The results compared with net income of $33m, or 31 cents, a year earlier, but the 1990 results were muddied by an after-tax charge of $60m when the bank reorganised and cut more than 1,400 jobs.

For the first six months, the [illegible] net income was $153m, or $1.65 a share, against $129m, or $1.51.

Mr John McGillicuddy, chairman and chief executive, said: "The weak economy continued to affect [illegible] areas of of our credit portfolio, with a related impact [illegible] our overall profitability. Nevertheless, we have been able to absorb a [illegible] level of net charge-offs while at [illegible] same time increasing our non-refinancing country reserve."

The bank's reserve for credit losses, excluding those applicable to refinancing countries, was $723m on June 30, up 53 per cent from a year ago and $26m higher in the last three months.

Sharp rise in profits at Chase Manhattan

By Barbara Durr in Chicago

CHASE MANHATTAN, which owns New York's second largest and the nation's third-largest bank, reported strong second-quarter results yesterday, with consolidated net income of $132m, up from $52m in the year-ago quarter.

Quarterly earnings per share more than tripled to 80 cents from 24 cents last year.

Mr Tom Labreque, chairman, said he was "encouraged" by the bank's third consecutive quarter of sound earnings.

During [illegible] first six months of 1991, Chase recorded consolidated net income of $248m, or [illegible] a share, up from only $96m, or 44 cents, a year ago. [illegible] this, Chase appears to have virtually buried [illegible] questions about its health [illegible].

Second-quarter results include a [illegible] net gain from sale of several businesses in [illegible] and Europe.

Without these non-recurring items, net income would have been $111m, or 65 cents a share.

Increases in fee-based as well as non-fee-based net income and reduced operating costs helped offset rises in its provision [illegible] possible [illegible] for credit [illegible] increased to $265m, up from $225m in the year ago quarter.

The bank [illegible] warned that if the US economy [illegible] not [illegible], provision for possible credit [illegible] continue [illegible] relatively high [illegible].

[illegible] loan [illegible] in [illegible] quarter [illegible] June 30 [illegible], [illegible] from [illegible] last [illegible].

[illegible] its [illegible] charge-offs [illegible], a hefty portion [illegible] [illegible] in [illegible] real [illegible] where charge-offs [illegible] $117m from just $21m in the [illegible] quarter.

Domestic [illegible] loan charge-offs were also up substantially to [illegible] from [illegible] last year.

Chase saw some relief, however, on its second quarter net charge-offs on loans to refinancing countries, which dropped to $398m from $624m.

The reaction to the bank's results was enthusiastic on Wall Street, with shares up $2 to $20 by mid-day trading.

Second-quarter downturn in First Chicago income

By Barbara Durr

FIRST CHICAGO, which owns First National Bank of Chicago, [illegible] 11th [illegible] in [illegible] US, reported second-quarter net income of [illegible] or [illegible] cents a share, [illegible] from $87.4m, or $1.22 in the same quarter a year ago.

Although the results [illegible] less than stellar, [illegible]go's chairman, Mr Barry Sullivan, [illegible] that the bank was encouraged by the "improved [illegible] quality" of its portfolio.

But Mr Sullivan warned that "the environment continues to be hostile, particularly in commercial real estate".

The improvement, however, has come only this year. Total non-performing assets declined by 3.4 per cent to $1.56bn from $1.61bn. They were up from [illegible] in the second quarter of 1990.

The lion's share of non-performing assets is in real estate, which accounted for $922m of the total during the past quarter, much of which is in the bank's portfolio of "other real estate" as opposed to loans secured by commercial real estate.

Net interest income during the second quarter was $275m, down from $327m a year ago. Non-interest income rose to $307.5m from $281.6m in the 1990 period.

For the first six months of 1991, net income was $106.8m, or $1.36 per fully-diluted share, down 32 per cent from $156m, or $2.11.

Securities trading gains prop up NCNB returns

NCNB, the largest super-regional bank holding company in the south-eastern US [illegible], has increased profits [illegible] second quarter [illegible] substantially [illegible] loan [illegible] provisions [illegible] by net gains on [illegible] dealings, agencies report.

Net [illegible] for [illegible] months [illegible] end-June edged up to $142.2m, or $1.25 a share, from $137.4m, or $1.30, a [illegible] ago. The latest figures [illegible] after allowing for loan loss provisions [illegible] $125m, against $84.1m a year earlier, and after-tax security transaction gains of [illegible], [illegible] $5.3m previously.

First-half net [illegible] was $270.6m, or $2.45 a share, [illegible] $277.5m, or $2.64, last year, after loan loss provisions of $275m, against $172.9m in 1990, and security dealing gains of $116m, [illegible].

Diluted per-share earnings were [illegible] for [illegible] quarter and $2.38 for the half-year, against $1.26 and $2.54 previously.

At [illegible] end of June, assets, excluding the special [illegible] division of NCNB Texas, [illegible] $65.69bn, up from $62.12bn a year earlier, [illegible] earning [illegible] $59.37bn, [illegible] $54.94bn.

NCNB said the results "revealed signs that credit problems may be abating. Non-performing assets rose only $24.4m, or 2 per cent, in the second quarter versus the level at the end of the first quarter of 1991, the smallest quarterly increase in the past six quarters."

Boise Cascade stays in the red

By Barbara Durr

FURTHER deterioration of the paper market added up to a net loss of $32.5m, or 95 cents a share, for Boise Cascade, the big Idaho-based paper products-maker.

This is the second quarterly loss this year for the company, which reported a net loss of $16.9m during the first three months. Boise Cascade made a profit of $23m, or 50 cents per share, in the second quarter of 1990.

Sales for the second quarter were $978m, down from $1.1bn in the year-ago period. Sales for the first six months were $2bn, down slightly from $2.1bn last year.

The company said that it was hit hard by declines in prices for all the grades of paper it produces. The price drops were largely related to the US recession, but its own added supply capacity in major paper grades helped put the market further out of line.

In addition, the company [illegible] it was negatively affected by higher interest and depreciation expense associated with the $2bn investment it has made to modernise its facilities over the last three years.

Looking ahead to the second half of [illegible], the company [illegible] hopeful – given its investments – that it was in a position to rebound with the economy.

The poor results came as no surprise to Wall Street, where the company shares were unchanged at $25.62 in trading before the close.

Further asset sales at Stelco

By Robert Gibbens in Montreal

STELCO, Canada's second largest steel-maker, is expected to make about C$100m in further asset sales following disposal of half its Alberta heavy pipe unit to Oregon Steel of the US for C$40m.

Stelco, struggling to recover from a strike last year, may also sell its tube, fastener and wire products businesses to reduce heavy debt.

Improved retail broking lifts PaineWebber 131%

By Patrick Harverson in New York

PAINEWEBBER, the large Wall Street securities house, yesterday reported a 131 per cent increase in second-quarter profits [illegible], due [illegible] a continued improvement in the US retail broking environment.

In the [illegible] quarter a [illegible] PaineWebber [illegible] profits of $14.6m.

The [illegible] pleased [illegible] stock market. By noon yesterday, PaineWebber shares had [illegible] $21¼.

First-half [illegible] income amounted to [illegible] or [illegible] a share, up from $24.43m, or 55 cents, a [illegible] earlier.

The group said [illegible] all [illegible] its main business groups prospered during the quarter, with revenues [illegible] to [illegible], up from [illegible] a [illegible] earlier.

For the [illegible] quarter running the most successful areas were retail broking and asset management. In spite [illegible] a sluggish [illegible] and [illegible] trading volumes during the quarter, PaineWebber's concentration [illegible] of retail broking paid off, boosting [illegible] to [illegible], [illegible] from $164.5m a [illegible].

The decline [illegible] stock market [illegible] the quarter [illegible] reflected in a small drop in income from principal [illegible]tions, which fell [illegible] $150m, down from $153.5m a [illegible] earlier.

The [illegible] main [illegible] the group's corporate [illegible] – developing its asset gathering business – also reaped dividends.

By the end of June, the value of PaineWebber's retail client [illegible] $81.9bn, up [illegible] $70.7bn [illegible] the end of June 1990. Earnings from [illegible] management business rose [illegible] per [illegible].

The group [illegible] reported significant improvements in its institutional [illegible] income [illegible] client-related equity businesses. Even investment banking showed an improvement in the quarter, with [illegible] rising [illegible] $65.4m a year ago to [illegible].

Operating [illegible] rose [illegible] due mainly to a 10 [illegible] cent jump in employee compensation and related [illegible]. [illegible] the end of June, shareholders' equity [illegible] $950.3m, and total capital $1.56bn.

Bank of New York declines

By Our Financial Staff

BANK [illegible] York saw second-quarter [illegible] slip to $61m, [illegible] 75 cents a share, from $70m, [illegible] cents, [illegible] same period [illegible] year. [illegible] the bank, the ninth largest in [illegible] after [illegible] acquisition [illegible] its [illegible] York rival, Irving Bank, [illegible] $1.4bn in [illegible], with a [illegible] equal [illegible] cents, against a profit of $173m, [illegible] $2.27, last time.

The figures were after loan [illegible] provisions [illegible] $127m against [illegible] in the quarter [illegible] $470m against $158m [illegible] the [illegible] months.

Total non-performing assets [illegible] quarter [illegible] $1.84bn against $1.33bn. [illegible] income declined to $308m [illegible] held steady at [illegible].

For the [illegible] date, non-in[illegible] income amounted [illegible] $470m [illegible].

JWP amends Businessland merger

By Our Financial [illegible]

JWP, [illegible] York-based electrical, mechanical [illegible] communications systems [illegible]cialist, has agreed to amend its merger agreement with Businessland, [illegible] microcomputer systems group, and will [illegible] purchase price offer [illegible] up [illegible] 17m Businessland [illegible] shares to $1.00 from $1.30.

It has [illegible] agreed to [illegible] to buy all of Businessland's [illegible] per [illegible] convertible subordinated debentures to $350 from $250 per $1,000 principal amount.

Businessland said it approved the amendment and recommended that [illegible] its common [illegible] and [illegible]nated [illegible] accept the revised offer.

"[illegible] on [illegible] provided [illegible] our [illegible] advisers, it was apparent [illegible] the debenture holders were not tendering in sufficient numbers to satisfy the conditions of the original offer from JWP," said Mr David A. Norman, Businessland chairman and chief executive.

"While the board was disappointed in these developments, it nonetheless concluded that accepting the revised offer is in the best interests of shareholders and debenture holders."

JWP said in a statement the amendment "took into account the advice" of its financial adviser that the minimum tender condition to the company's offer to purchase the debentures at the original price "was unlikely to be satisfied".

The company also said it extended the offer to [illegible] from July [illegible] when about [illegible] Businessland common shares and about $4.14m principal amount [illegible] Businessland debentures had been tendered.

The merger remains dependent upon JWP purchasing at least 51 per cent of the common stock and at least [illegible] per cent of [illegible] principal amount [illegible] the debentures [illegible] the revised offering prices.

Once all of [illegible] amended [illegible] agreement [illegible] and the [illegible] consummated, [illegible] Businessland common [illegible] not purchased [illegible] will be acquired in a subsequent merger in exchange for shares of JWP common stock with a value of $1.[illegible] a share.

DIVIDEND NOTICE TO THE HOLDERS [redacted]
EUROPEAN DEPOSITARY RECEIPTS FOR
COMMON STOCK OF TOSHIBA CORPORATION
(FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY)
DESIGNATED COUPON NO. [redacted]
(ACTION REQUIRED ON OR PRIOR TO OCTOBER 31ST, 1991)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the [redacted] of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE of a dividend of 5 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock on record of Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 138.4427 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan [redacted] a party to international agreements with Australia, Belgium, Canada, Denmark, France, The Federal Republic of Germany, Malaya, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeti[redacted] certain conditions relating to the carrying on of trade or business in Japan. Persons not [redacted] tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15% it [redacted] necessary that the surrender of Coupon No. [redacted] be [redacted] by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 82. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 82.

DEPOSITARY'S AGENTS

NAME	ADDRESS
Chemical Bank	Frankfurt, Germany
The Bank of Tokyo Limited	London, England
The Bank of Tokyo Limited	Paris, France
The Bank of Tokyo Limited	Brussels, Belgium
The Bank of Tokyo Limited	Frankfurt, Germany
Pierson, Heldring & Pierson	Amsterdam, The Netherlands
Banco Nazionale del Lavoro	Rome, Italy
Banco Nazionale del Lavoro	Milan, Italy
Kredietbank S.A. Luxembourgeoise	Luxembourg

The following table sets forth the amounts payable upon presentation of Coupon No. 82 from the various denominations of Receipts.

Coupon No. 82 Detached from Receipts in the Denomination of:	Dividend Payable (less 15% Japanese withholding tax)	Dividend Payable (less 20% Japanese withholding tax)
1 Depositary Share	$1.53	$1.44
10 Depositary Shares	$15.35	$14.45
20 Depositary Shares	$30.70	$28.89
50 Depositary Shares	$76.74	$72.23
100 Depositary Shares	$153.48	$144.45

Payment in United States Dollars in respect of Coupon No. 82 wil[redacted] made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: July 16, 1991 Chemical Bank, as Depositary, 180 Strand, London WC2R 1EX, England.

*March 31, 1991 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 82 attached.

**Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its [redacted] not unduly burdensome and upon payment of all expenses incurred [redacted] connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company shortly after October 31, 1991 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupon No. 82.

As a result, persons surrendering Coupon [redacted] 82 after such date will be entitled to receive from [redacted] Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

CHEMICALBANK
As Depositary

UNITED PAPER MILLS
US$ 100,000,000 Floating Rate Notes
Due 1995

Notice is hereby given that the Rate of Interest has been fixed at 6.45% and that the interest payable on the relevant Interest Payment Date January 16, 1992 against Coupon No. 4 in respect of US$100,000 nominal of the Notes will be US$3,398.89.

July 16, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Notice to Bondholders of
CNT
FRF 1,000,000,000
9% due 1998

In accordance with the Terms and Conditions of the Issue, notice is hereby given that Banque Belge Limited resigned from its capacity as sub-paying agent in London for the above mentioned issue as from August 19, 1991.

The Issuer

U.S. $300,000,000

CL

Crédit Lyonnais

Subordinated
Floating Rate Notes Due 2000

Interest [redacted]	6⁵⁄₈% per annum
[redacted] Period	16th July 1991 [redacted] January 1992
[redacted] Amount per U.S. $10,000 [redacted] 16th January 1992	U.S. $335.42

Credit Suisse First Boston Limited
Reference Agent

FOKUS Bank A/S

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$30,000,000
Floating Rate Subordinated Notes due 1997.

Holders of Floating [redacted] Subordinated Notes of the above issue are hereby notified that for the Interest Period from 17th July, 1991 to 17th October, 1991 the following information is relevant:

1. Applicable [redacted] rate: 6¼% per annum
2. Coupon Amount payable on [redacted] Payment Date: US $159.72 per US $10,000 Nominal
3. Interest Payment Date: 17th October, [redacted]

Agent [redacted]
Bank of America International Limited

NOTICE TO THE HOLDERS
OF WARRANTS OF
DAIDO STEEL CO., LTD.

U.S. $100,000,000 4¼ per cent. Guaranteed Notes due 1993 with Warrants (the "Warrants 1993")

U.S. $200,000,000 4¾ per cent. Notes due 1994 with Warrants (the "Warrants 1994")

Pursuant to Clauses 3 and 4 of the Instruments dated 10th August, 1988 and 6th September, 1989 concerning the above issues, notice is hereby given as follows:

Daido Steel Co., Ltd. has made an issuance of U.S. $220,000,000 5 per cent. Notes due 1996 with Warrants on 16th July, 1991 (London time) at the initial subscription price of Yen 569 per share which is less than the current market price per share of Yen 699.5 calculated as provided in the Instruments.

As a result on such issuance and pursuant to Clause 3 of the Instruments, the Subscription Price of the Warrants 1993 has been adjusted from Yen 774 to Yen 757.70 and the Subscription Price of the Warrants 1994 has been adjusted from Yen 1,538 to Yen 1,505.70, both effective as of 16th July, 1991 (Japan time).

DAIDO STEEL CO., LTD.
By: The Tokai Bank, Limited, London Branch
as the Principal Paying Agent
Dated: 16th July, 1991.

MBE Finance N.V.
U.S. $90,000,000
Guaranteed Reverse Basis Bonds Due 2000
unconditionally and irrevocably guaranteed by
Mitsubishi Bank (Europe) S.A.

Notice is hereby given that for the six month Interest Period from, and including, 12th July, 1991 to, but excluding, 13th January, [redacted] the following [redacted] interest will apply.

[redacted] A [redacted]
The Rate of Interest is 6.85% per annum. [redacted] interest [redacted] payable on 13th January, 1992 will amoun[redacted] U.S. $176.01 per U.S. $5,000.00 in principal amount.

[redacted] B [redacted]
The Rate of Interest is 7.00% per annum. The Interest [redacted] payable on 13th January, 1992 will amount to U.S. $179.86 per [redacted] in principal amount.

[redacted] C Bonds
The Rate of Interest is 7.10% per annum. The Interest Amount payable on [redacted]anuary, 1992 will amount to U.S. $182.43 per U.S. [redacted]5,000.00 in principal amount.

The Mitsubishi Bank, Limited
London Branch
As Agent Bank

16th July, 1991

Notice to Bondholders of
COUNCIL OF EUROPE
JPY 15,000,000,000 5 % due 1992
JPY 25,000,000,000 5 % due 1989

In accordance with the Terms and Conditions of the Issue, notice is hereby goven that Banque Belge Limited resigned from its capacity as sub-paying agent in London for the above mentioned issues as from August 19, 1991.

The Issuer

Notice to Holders of DKK
250,000,000 10 % % Depositary Receipts(the "Receipts") due 1993 issued by The Law Debenture Trust Corporation p.l.c. evidencing entitlement to payment of principal and interest on deposits with
CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE - CARIPLO.

As required by Condition 5 of the Receipts, notice is hereby given that Banque Belge Limited resigned from its capacity as sub-paying agent in London for the above mentioned issue as from August 19, 1991.

The Issuer

Postipankki Ltd
US $50,000,000
Subordinated Floating Rate
Notes Due 2000

For the interest period 15 July 1991 to 15 January 1992 the Notes will carry an interest rate of 6⅞% per annum with an interest amount of US $172.50 per US $5,000 Note, payable on 15 January 1992.

Bankers Trust Company, London — Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Pacific Dunlop in A$374m [redacted] for Petersville Sleigh

By Mark Westfield in Sydney

PACIFIC Dunlop, the diversified Australian manufacturer and distributor, caught the stock market by surprise yesterday when it unveiled a A$374m (US$287.7m) bid for Petersville Sleigh, an associate of the Adelaide Steamship Group.

Pacific Dunlop's offer was 30 per cent above Petersville's Friday evening close, but investors pushed the target's share price above the offer yesterday in anticipation of an improved bid. At one stage, the shares hit A$1.20 before falling at the close.

Pacific Dunlop's managing director, Mr Philip Brass, said the offer fully priced the company and that it would be his company's only bid.

Petersville Sleigh is Australia's second largest food company, behind Arnotts, the biscuits and snack foods maker.

It is controlled by Tooth & Co (39 per cent), Adsteam (19.5 per cent) and David Jones (2.5 per cent) – three companies that are affected by a bank moratorium on [redacted] and principal repayments until [redacted] 31, pending an orderly sale of their assets. The Adsteam group announced combined losses of A$3.7bn for the half-year to December 31 in Australia's largest corporate loss.

Therefore, it will be bankers to the three companies who will decide the fate of Pacific Dunlop's bid, which is conditional on 50.1 per cent acceptance.

If the bankers decide to sell the Adsteam shares, which would raise a total of A$220m, it would have little impact on the then combined A$4.5bn debt load of the group.

Mr Brass said his group was primarily interested in Petersville Sleigh's food operations and would review its other businesses if Pacific Dunlop acquired the group.

Petersville Sleigh owns Australian processed food brands Edgell, Birds Eye, Big Sister and Four 'n Twenty.

It also has forestry and building materials operations, a heavy equipment [redacted] half-ownership of [redacted] H.C. Sleigh shipping agency and 80 per [redacted] of the Loscam palette hire business.

Together with David Jones, Petersville also owns 50 per cent of the US-based AAM, which holds the defunct Buffums department store and the Eastman office equipment supplier. Mr Brass said the AAM [redacted] would be sold, [redacted] announced previously by Petersville management. The AAM half-share is valued by [redacted] at A$120m.

Petersville wa[redacted] forced to announce losses [redacted] A$267m for the half-year to December 31, mainly because of writedowns on its cross-shareholdings back into the Adsteam group. It owns 27 per cent of Tooth & Co and 2 per cent of Adsteam.

Analysts expect Petersville to make a loss for the full-year to June 30 and to break even or make a small profit in 1992. A return to stronger earnings is forecast for 1993.

Alcoa Australia falls to A$353m

By Mark Westfield

SHARPLY lower [redacted] and alumina prices have nearly halved earnings of Alcoa Australia in the six months to June 30.

Pre-tax profit for the 51 per cent owned subsidiary of Aluminum Company of America fell to A$353.5m (US$271.9m) in the half-year from A$631.5m in the 1990 period, while earnings after tax were down 45 per cent to A$214.3m.

The group's earnings slump will also affect its 49 per cent shareholder, Western Mining Corporation Holdings, the A[redacted] mining house, which relied upon Alcoa for 70 per cent of its A$334m net profit last year.

Analysts expect Alcoa Australia's full-year earnings to be about A$350m, less than half last year's A$783m. Western Mining's net profit is expected to drop to about A$310m.

Alcoa said yesterday that aluminium ingots averaged US$1,413 a tonne, compared with US$1,528 for the same period last year. Prices were lower than the depressed levels of 1986 and were about half the record levels of 1988.

Gold production for the half was 80,273 fine ounces, down from 88,028 ounces in the corresponding period in 1990.

During the second quarter, the company paid a fully-franked dividend of A$100m, bringing the total dividend declared and paid during the first half of 1991 to A$200m.

"The dividend payments reflect Alcoa's continuing strong cash flow and the directors' view that effective use be made of the company's very substantial tax payments by transferring the tax credit to the shareho[redacted] by way [redacted] fully franked dividends," [redacted] said.

Last month, rival producer Comalco, a subsidiary of CRA, forecast that the lower prices would cut its earnings by 50 per cent.

Century profits buoyed by rupee devaluation

By R C Murthy in Bombay

THE [redacted] two-stage devaluation of the [redacted] rupee has boosted pre-tax profits of Century Textiles and Industries, part of the Birla group – one of India's largest industrial holding groups.

Profits before depreciation and tax provision in the year to end-March rose sharply to Rs1.69bn ($67m), compared with Rs1.17bn a year earlier. Net profits jumped to Rs815.3m. The dividend has been increased Rs10 to Rs50 on a Rs100 share.

On the Bombay Stock Exchange recently, Century shares rose Rs1,040 in less than a week to Rs6,350.

Last year, Century exported two-thirds of its cotton fabric production, worth Rs1.28bn, and plans to export its entire production this year. It operates 12 ships on intercontinental routes.

Century is a diversified company [redacted] five divisions; cement, rayon, chemicals, [redacted] and pulp. Sales and other income came to Rs7.53bn for the year to end-March, an increase of 9.2 per cent from RS6.89bn a year earlier on an annualised basis.

Mr B K Birla, chairman, said paper and pulp, which until recently had been a losing business, had now become competitive, with imported pulp becoming costlier following the rupee depreciation.

Despite recent political uncertainties, Century is proceeding with new investment of Rs2.5bn in paper and cement facilities. Cement production is to be doubled to 3m tonnes.

ACC writes off Iraq plant

[redacted] panies, India's largest cement concern, has written off its assets in Iraq damaged during the Gulf war and returns from its [redacted] ACC-Babcock, for a combined value of Rs108.6m (US$4.8m), writes R.C. Murthy.

The company had a maintenance contract with Iraq for a cement plant at Basra which was damaged during the war. ACC expects Iraq to start negotiations soon for the reconstruction of the cement plant.

ACC has written off the losses from a record operating profit of Rs2.16bn for the year to end-March. Operating profits were double the previous year's profits. Sales rose by about 20% to Rs11.76bn.

The company proposes to double its annual dividend to Rs30, including an [redacted] Dr S. Ganguly, ACC chairman, said the record production [redacted] profits [redacted] due to improved operational efficiency, [redacted] factors.

South Korean bank opens

HANA [redacted] operations yesterday [redacted] nationwide commercial bank formed [redacted] the govern[redacted] financial restructuring programme, bank officials said, AP-DJ reports from Seoul.

Hana Bank, formerly Korea Investment Finance, began its operations with 460 employees and two branches. The bank will soon set up five other branches in Seoul and Taejon.

[redacted] Investment Finance was the nation's largest short-term financing firm when it converted its business into banking under the government's financial restructuring programme.

Under [redacted] restructuring, large short-term financing firms are allowed to transform themselves into [redacted] or [redacted]rities firms in order to increase competition among local financial institutions.

Hanyang Investment [redacted] and Goldstar [redacted] recently merged to form Boram Bank which will begin operations soon.

Sincere earnings rise to HK$36m

SINCERE Company, a Hong Kong department store group, said [redacted] profit climbed 18 per cent to HK$36.2m (US$1.34m) in the year to end-February compared with HK$30.6m in the previous year, AP-DJ reports from Hong Kong.

Earnings per share climbed to HK$13.66 against HK$11.61. However, the company is cutting its dividend to 7 cents, from 7.5 cents.

Australian telecoms bid enlists new partner

MAYNE Nickless has joined one of the groups bidding to establish a second telecommunications carrier in Australia, AP-DJ reports from Canberra.

The Melbourne-based transportation, security services and hospital management concern said it would take about a 20 per cent stake in the consortium, which is led by BellSouth of the US and Cable & Wireless of Britain.

Mayne Nickless said in a statement that telecommunications was the world's leading growth industry. The new venture was consistent with the company's strategy to develop "leading-edge services", the statement said.

The two foreign partners, BellSouth and Cable & Wireless, have considerable experience in telecommunications and will each take 24.5 per cent interests in the consortium.

Known as the Australian Communication Enterprise Project when BellSouth and Cable & Wireless started to work on the bid, the consortium is now called the Optus Communications Group.

The group [redacted] includes investment and insurance companies Australian Mutual Provident Society and National Mutual Life Association of Australasia.

Mayne Nickless, AMP and National Mutual will hold a combined 51 per cent interest in the consortium.

AIDC, a company that helps finance new projects, has formed a telecommunications fund so that other investment [redacted] can participate in [redacted] new telephone company. AIDC [redacted] up to [redacted] 10 per [redacted] in the project, reducing [redacted] interests of [redacted] other three Australian partners.

A group named Kalori Communications is also bidding for the project. It comprises Bell Atlantic and Ameritech of the US and Hutchison Whampoa of Hong Kong.

Microchip plant begins pilot run

[redacted] PLANT operated jointly by Texas Instruments of the US and Taiwan's largest computer-maker, Acer, to manufacture 4 megabyte Dram (Dynamic Random Access Memory) microchips has begun its pilot run, an Acer spokesman said, Reuter reports from Taipei.

The plant, located in the Hsinchu industrial park south of Taipei, will produce up to 1m chips a month and begin mass production of Dram chips by early 1992, he said.

The Dram chips will be used in the next generation of PCs.

The joint venture has a paid-in capital of T$3.8bn (US$140.7m). Acer has a 58 per cent share in the venture, Texas Instruments has 26 per cent and the China Development Corporation 16 per cent.

The plant will be south-east Asia's largest and Taiwan's first 4 megabyte Dram microchip plant. There are plans to equip the facility to produce 16 megabyte chips.

U.S. $50,000,000
Hyosung (America), Inc
(Incorporated with limited Liability in the State of New York, U.S.A.)
Guaranteed Floating [redacted] Notes due [redacted]

For the three month Interest Period 16th July, 1991 to 16th October, 1991 the Notes will carry an interest rate of 6⅞% per cent per annum, with a Coupon Amount of U.S. $854.51 per U.S. $50,000 Note, payable on 16th October, 1991.

Listed on the Luxembourg Stock Exchange

KDB Asia Limited
Hong Kong — Agent Bank

This announcement appears as a matter of record only.

THE BANK OF NEW YORK

is pleased [redacted]
the establishment of

SPONSORED AMERICAN DEPOSITARY
RECEIPT (ADR) FACILITIES

for

THE JARDINE MATHESON GROUP

Jardine Matheson Holdings Limited
Jardine Strategic Holdings Limited
Dairy Farm International Holdings Limited
HongKong Land Holdings Limited
Mandarin Oriental International Limited

THE BANK OF NEW YORK

For further information regarding The Bank of New York's ADR Services, please [redacted] Kenneth A. Lopian [redacted] New York (212) 815-2084, or Michael McAuliffe in London (071) 322-6336.

S TUESDAY JULY 16 19

FINANCE

Australian telecoms bid enlists new partner

Microchip pl
begins pilot ru

V YORK

IN GROUP

INTERNATIONAL CAPITAL MARKETS

Treasuries steady despite strong production data

By Patrick Harverson in New York and Sara Webb in London

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month [redacted]
AUSTRALIA		12.000	[redacted]	[redacted]	+0.381	[redacted]	11.04	11.28
BELGIUM		10.000	[redacted]	103.7000	[redacted]	[redacted]	[redacted]	[redacted]
CANADA *		[redacted]	[redacted]	98.8250	[redacted]	9.96	10.04	[redacted]
DENMARK		9.000	11/00	98.2750	+0.025	9.26	[redacted]	9.20
FRANCE	BTAN	9.000	02/96	[redacted]	[redacted]	9.21	9.33	9.17
	OAT	[redacted]	01/01	102.4200	-0.260	[redacted]	[redacted]	9.06
[redacted]		8.375	05/01	98.9500	+0.080	8.53	[redacted]	8.33
ITALY		12.500	03/01	[redacted]	[redacted]	13.23	13.35	[redacted]
JAPAN	No 119	[redacted]	06/00	88.0339	[redacted]	7.17	7.22	7.32
	No 129	[redacted]	03/00	98.2720	[redacted]	6.72	6.79	6.86
NETHERLANDS		[redacted]	[redacted]	98.3000	+0.010	[redacted]	[redacted]	[redacted]
SPAIN		11.900	07/96	100.2250	[redacted]	11.82	11.82	[redacted]
[redacted]		10.000	11/96	98-30	[redacted]	10.26	10.26	10.40
		10.000	02/01	[redacted]	[redacted]	10.21	[redacted]	10.51
		9.000	10/08	[redacted]	+0.094	9.96	[redacted]	10.20
US [redacted] *		8.000	05/01	[redacted]	+0/32	8.26	8.34	8.30
		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	8.51	8.49

London closing, *denotes New York morning session. Yields: Local market [redacted]
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Pri[redacted]

US government bond prices were steady at both ends of the maturity range yesterday morning in spite of a stronger-than-expected US industrial production report.

At midday, the benchmark 30-year Treasury issue [redacted] up ⅛ at 96⅜, to yield 8.431 per cent. The two-year note [redacted] similarly unruffled, standing unchanged at 100¼, carrying a yield of 6.842 per cent.

Prices held firm across the board in early trading after the Federal Reserve reported that industrial production rose by 0.7 per cent in June, and that May production also rose by 0.7 per cent, instead of the 0.5 per [redacted] originally.

The figures were [redacted] higher than expectations, but with [redacted] of recent [redacted] data already in [redacted] values, the market showed no inclination to mark Treasuries down.

■ ACTIVITY in the main Euro[redacted] government bond mar[redacted] subdued as traders waited for firm economic signals from the Group [redacted] Seven summit taking place in London this week.

GOVERNMENT BONDS

French government bonds opened firmer but then slipped during the day as hopes that [redacted] bank might [redacted] interest rates shortly began to [redacted]. Traders have reported strong buying of French government bonds recently as the Bundesbank's decision to leave German [redacted] unchanged last Thursday raised hopes of [redacted] cut.

[redacted] said that [redacted] would focus on the [redacted] prices index for June and on the repurchase agreement [redacted]der rates, both due out today, for signs that the central bank may have room to lower interest rates. The Matif futures [redacted] opened [redacted] and rose [redacted] 105.50 before falling [redacted] to [redacted].

Meanwhile, German government bond prices slipped on low volumes. The [redacted] bund [redacted] opened [redacted] 84.70, reaching [redacted] high of 84.73 before slipping to 84.55.

■ UK government bond prices firmed yesterday on mainly futures-driven trading.

The [redacted] of England announced [redacted] on Friday, [redacted] £250m tranche of 12 per cent Exchequer [redacted] 1998 and a £250m tranche of 9.5 per cent Conversion stock due 2005. [redacted] said that there was some buying of the 12 per cent gilt due 1998 yesterday [redacted] 108¾ as the market edged up.

While short-dated gilts picked up nearly [redacted] of a percentage point, the 11¾ per cent gilt due 2003/07 was unchanged on the day at 110⅛.

■ JAPANESE government bond traders expected volumes to [redacted] up today [redacted] Big Four securities houses resume normal business. The four – Nomura, Daiwa, Nikko [redacted] Yamaichi – [redacted] [redacted]pended from conducting corporate business for four trading days as [redacted] punishment f[redacted] compensating [redacted] market losses.

JGB prices edged up yesterday on low volumes, helped by the strength of the yen. The yield on the benchmark No 129 JGB opened at 6.73 per cent, moved in [redacted] range of 6.71 per [redacted] 6.74 per cent, and [redacted] 6.71 per cent in Tokyo. The volume was about Y370bn in the benchmark bond, but traders believe that the volume will pick up gradually over this week.

Attention this week is expec[redacted] on short-term [redacted] following the start of the new reserve main[redacted] period today. The overnight unsecured call rate has fallen from [redacted] per cent two weeks ago to 7.5 per cent.

NZSE plans 1am start for Telecom

By Terry Hall in Wellington

THE New Zealand Stock Exchange is planning to open at 1am on Th[redacted] for the first trading in Telecom New Zealand shares and at 9.30pm on July 30, the day of the New Zealand budget.

[redacted] extended trading hours have been made possible by the exchange's switch to [redacted] trading [redacted] Auckland, Wellington [redacted] Christchurch exchanges.

NZSE's chairman, Mr David Wale, said the [redacted] system made it simple and practical to have the additional sessions. "But I doubt if we'll ever have another session starting at 1am," he said.

The 1am start is being made so that first day trading in Telecom New Zealand shares can coincide with [redacted] on Wall [redacted].

Mr Wale said it was important that New Zealand investors have the opportunity to have "some input" in the early trading rather than wait for [redacted] hours for [redacted] NZSE's usual opening.

While [redacted] 1am opening for Telecom shares was [redacted] to be unique, the NZSE would probably continue to open after budget [redacted] if this experiment proved [redacted] success.

Mr Wale [redacted] the moves were not a first stage in a bid by New Zealand to offer 24-hour international trading.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on July 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[redacted]	[redacted]	+⅛	7.66
ALBERTA PROVINCE 9 3/8 95	600	[redacted]	[redacted]		8.42
AUSTRIA 8 1/2 00	400	[redacted]	[redacted]	+⅛	8.78
BANK OF TOKYO 8 3/8 96	100	98⅛	[redacted]	+⅛	8.69
BELGIUM 9 1/8 92	400	102	[redacted]		7.24
BFCE 7 3/4 97	150	97⅞	98⅛	+⅛	8.22
BNP 8 5/8 94	300	101⅛	101⅝		8.04
BP CAPITAL 9 3/8 93	150	[redacted]	103		7.73
CANADA 9 96	1000	[redacted]	103⅛		8.17
CARCO 9 1/4 96	650	100⅜	[redacted]	+⅛	9.18
CCCE 9 1/4 95	300	103⅛	[redacted]		8.15
COUNCIL EUROPE 8 96	100	[redacted]	[redacted]	+⅛	8.34
CREDIT FONCIER 9 1/2 99	300	[redacted]	104	+⅛	8.81
DENMARK 9 93	750	[redacted]	98⅜	−⅛	8.87
DENMARK 8 1/4 94	150	[redacted]	101⅛	+⅛	7.91
ECSC 8 1/4 96	193	99⅞	100⅜		8.26
EEC 7 1/4 93	250	99⅞	100⅛	+⅛	7.29
EIB 7 3/4 96	250	98⅛	98⅝		8.19
EIB 9 1/4 97	1000	102⅝	103	+⅛	8.65
ELEC DE FRANCE 9 98	200	101⅞	102⅜	+⅛	8.60
EUROFIMA 9 1/4 96	100	102⅝	103⅛	+⅛	8.52
EXPORT DEV CORP 9 1/2 98	150	103⅝	104⅛	+⅛	8.76
FINLAND 7 7/8 97	200	95⅞	96⅜	−⅛	8.83
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	−⅛	8.42
FORD MOTOR CREDIT 9 1/2 93	300	[redacted]	102⅞	−⅛	8.27
GEN ELEC CAPITAL 9 3/8 96	300	[redacted]	103⅛		8.53
GMAC 9 1/8 96	200	100⅛	[redacted]	+⅛	9.00
HALIFAX 9 1/2 93	200	102⅝	103	−⅛	7.97
IBM WORLD TRADE 7 5/8 93	150	99⅞	[redacted]	−⅛	7.96
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96⅜		8.81
INTER AMER DEV 7 5/8 96	200	96⅛	96⅝		8.48
ITALY 8 1/2 94	1500	101½	101⅞	+⅛	7.94
JAPAN DEV BK 8 94	150	100⅛	100⅝		7.83
KANSAI ELEC PWR 10 96	350	[redacted]	104⅛	−⅛	8.83
LTCB 8 5/8 93	150	101⅛	101⅝	−⅛	7.82
NEW ZEALAND 8 93	100	100½	101	+⅛	7.70
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	−⅛	8.07
NIPPON TEL & TEL 9 3/8 95	200	103⅝	104⅛	+⅛	8.15
NORDIC INV BANK 9 93	200	102⅝	103		7.51
ONTARIO HYDRO 11 5/8 94	200	107⅞	109⅜	−⅛	8.22
OSTER KONTROLLBANK 8 1/8 93	200	101	101⅛	−⅛	7.43
PETRO-CANADA 7 1/4 96	200	[redacted]	95⅛	+⅛	8.55
PRUDENTIAL RLTY SECS 0 99	[redacted]	[redacted]	[redacted]	−⅛	9.43
QUEBEC HYDRO 9 3/4 98	150	[redacted]	103⅛		9.17
QUEBEC PROV 9 98	200	99⅜	100	−⅛	9.11
SAINSBURY 9 1/8 96	150	101⅞	[redacted]	−⅛	8.77
SAS 10 99	200	99½	[redacted]	+⅛	10.08
SBAB 9 1/2 95	500	103⅝	104		8.35
STATE BK STH AUST 9 1/4 93	100	101⅞	102½	−⅛	7.87
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅝	103⅛		8.07
SWEDEN 8 1/8 94	150	100⅝	101⅛	+⅛	7.88
SWEDISH EXPORT 9 5/8 93	100	103⅛	103⅝	+⅛	7.36
TOKYO METROPOLIS 8 1/4 96	200	99⅛	99⅝		8.41
WORLD BANK 8 3/8 99	1500	99	99⅜		8.73
WORLD BANK 8 3/4 97	1500	102	102⅛	+⅛	8.47
XEROX CORPN 8 3/8 96	100	[redacted]	96⅛	+⅛	9.56
DEUTSCHE MARK STRAIGHTS					
DEUTSCHE BK FIN 5 5/8 96	750	[redacted]	89⅛	+⅛	8.33
DEUTSCHE FINANCE 7 1/2 95	1000	[redacted]	97⅜	+⅛	8.28
EEC 5 3/8 93	300	[redacted]	95⅛	+1⅛	9.02
EIB 5 3/4 98	400	[redacted]	86⅛	+⅛	8.52
EIB 6 7/8 95	300	94⅛	94⅝	+⅛	8.53
EUROFIMA 6 1/4 98	400	87½	87⅞	+⅛	8.70
FERRO DEL STAT 5 3/8 93	500	95	95		9.04
IND BK JAPAN FIN 5 5/8 96	200	87⅞	87⅞	+⅛	8.83
IND DEV BK INDIA 6 3/8 94	200	88½	88½	−⅛	10.51
INTER AMER DEV 7 1/4 99	300	[redacted]	92⅛	+⅛	8.54
LUFTHANSA INT FIN 5 7/8 98	500	[redacted]	85⅛		8.86
MET EST & PROP INTL 7 99	150	86½	86½	−⅛	9.51
NAT BK HUNGARY 8 96	200	90⅛	90⅛	+⅛	10.40
QUEBEC HYDRO 6 3/4 99	300	[redacted]	88⅞		8.79
SWEDEN 6 1/8 98	300	88⅛	88⅝	+⅛	8.47
VENEZUELA 8 1/4 93	100	96	96⅛		10.22
WORLD BANK 0 15	2000	16	16		7.79
WORLD BANK 5 3/4 96	300	87⅛	87⅛	−1⅛	9.26
WORLD BANK 7 1/8 95	500	[redacted]	94⅞	−1⅛	8.96
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	[redacted]	[redacted]	−⅛	6.70
AUSTRIA 4 5/8 98	100	[redacted]	89½	−⅛	6.85
CHUJITSUYA 7 3/4 95	50	101	102	−⅛	7.45
COUNCIL EUROPE 4 3/4 98	250	89½	90		6.77
EEC 5 1/2 00	100	90⅛	[redacted]	−⅛	6.87
EIB 5 3/4 93	100	[redacted]	[redacted]		6.95
ELEC DE FRANCE 7 1/4 06	100	104		−⅛	6.80
FINLAND 5 3/8 95	150	96⅛	96⅛	−⅛	6.39
GENERAL MOTORS 7 1/2 95	100	101	101½	−⅛	7.17
JAPAN DEV BK 5 1/2 94	100	96⅛	97		6.90
NEW ZEALAND 4 7/8 99	200	[redacted]	89	+⅛	6.92
QUEBEC HYDRO 5 08	100	79	[redacted]		7.20
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100½		6.65
WORLD BANK 5 03	150	86	87		6.73
WORLD BANK 7 01	600	102⅛	[redacted]		6.69
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	[redacted]	95⅛		7.03
CANADA 4 3/8 92	80000	97⅛	[redacted]	+⅛	7.20
CREDIT FONCIER 5 1/4 96	20000	94⅛	94⅛		7.18
DENMARK 7 95	40000	100⅛	100⅛	+⅛	6.94
EIB 4 5/8 94	40000	94⅛	94⅜	+⅛	6.99
GENERAL ELECTRIC 5 3/4 93	35000	97⅜	97⅜		7.41
INTER AMER DEV 7 1/4 00	30000	101⅞	102⅛	+⅛	6.95
ITALY 5 3/4 92	150000	99⅜	99⅝	+⅛	6.78
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	[redacted]	+⅛	7.22
NIPPON TEL & TEL 5 7/8 96	50000	95½	[redacted]		6.93
NORWAY 5 1/8 95	50000	94⅛	[redacted]	+⅛	6.96
SWEDEN 5 5/8 95	20000	95⅛	[redacted]		7.00
WORLD BANK 6 3/4 00	50000	99⅛	[redacted]		6.84

OTHER STRAIGHTS	Issued	Bid	[redacted]	Chg. day	[redacted]
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	[redacted]		9.32
KREDIETCORP 7 93 LFr	1000	95⅛	[redacted]		9.28
WORLD BANK 8 96 LFr	1000	[redacted]	97⅛		8.92
AMRO BANK 6 1/4 92 Fl	150	96⅛	97⅛	+⅛	[redacted]
RABOBANK 5 3/4 93 Fl	150	94⅛	[redacted]	−⅛	9.51
ALBERTA PROVINCE 10 92 C$	500	100⅛	[redacted]	−⅛	[redacted]
BCE INC 9 5/8 93 C$	300	[redacted]	99⅛	+⅛	[redacted]
BELL CANADA 10 5/8 99 C$	150	[redacted]	99	+⅛	10.91
BRITISH COLUMBIA 9 1/4 93 C$	150	[redacted]	99½		[redacted]
EIB 10 1/8 98 C$	130	[redacted]	99⅛	−⅛	[redacted]
FORD CREDIT CANADA 10 94 C$	100	[redacted]	98⅛		[redacted]
GENERAL ELECT CAP 10 1/4 93 C$	175	[redacted]	102⅛	+⅛	9.81
MONTREAL TRUSTCO 8 1/2 92 C$	[redacted]	98⅛	99⅛		10.41
ONTARIO HYDRO 10 7/8 99 C$	[redacted]	100⅛	100⅝		[redacted]
QUEBEC PROV 10 1/2 98 C$	200	97⅛	97⅝	−⅛	[redacted]
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅛	[redacted]	+⅛	10.68
SWEDEN 9 3/4 93 C$	250	100⅛	100⅝	+⅛	[redacted]
BELGIUM 9 1/8 96 Ecu	1250	99⅞	100	−⅛	[redacted]
CNT 7 3/8 93 Ecu	250	95⅛	96⅛	−⅛	[redacted]
CREDIT LYONNAIS 9 96 Ecu	125	[redacted]	98	−⅛	10.04
DENMARK 7 5/8 96 Ecu	250	[redacted]	92⅛		[redacted]
EEC 7 5/8 94 Ecu	200	96⅛	[redacted]		[redacted]
EIB 10 97 Ecu	1125	104⅛	104⅝		[redacted]
ITALY 10 3/4 00 Ecu	1000	108⅛	108⅝		9.30
UNITED KINGDOM 9 1/8 01 Ecu	2750	100	100⅛		9.11
BMW FINANCE 14 1/2 92 A$	100	101½	[redacted]	−⅛	12.12
COUNCIL EUROPE 13 93 A$	50	101⅛	102⅛		11.99
EKSPORTFINANS 12 3/8 95 A$	75	102⅛	103⅛		11.44
FORD CRED AUST 13 93 A$	50	100⅛	[redacted]	+⅛	12.35
NZI 15 1/2 92 A$	100	102⅛	103⅛	−⅛	12.05
MCDONALDS CANADA 15 95 A$	100	108⅛	108⅞	+⅛	12.19
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105½	106	−⅛	[redacted]
STATE BK NSW 14 1/4 99 A$	100	108⅛	[redacted]	+⅛	[redacted]
VOLKSWAGEN INTL 15 94 A$	[redacted]	106⅞	107⅛	[redacted]	11.88
ABBEY NATL TREAS 13 3/8 95 £	[redacted]	106⅛	106⅝	−⅛	11.17
BARCLAYS JERSEY 9 1/2 93 £	[redacted]	97⅝	98		11.02
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅝	+⅛	[redacted]
DEUTSCHE BK FIN 11 94 £	225	100⅝	101	+⅛	10.64
EIB 10 97 £	386.5	98½	98⅞	+1⅛	10.34
FORD CREDIT FUNDING 9 5/8 93 £	50	96⅛	97½	+⅛	11.72
INTER AMER DEV 11 3/8 95 £	75	102	102⅛		10.70
ITALY 10 1/2 14 £	400	93⅛	94	−⅛	11.28
LAND SECS 9 1/2 07 £	200	81⅜	81⅛		12.20
LEEDS PERMANENT 9 1/4 93 £	50	96⅛	97⅛		11.24
NORWAY 10 1/2 94 £	200	99⅜	99⅞		10.73
ROLLS-ROYCE 9 5/8 93 £	150	96⅛	97⅛		11.48
SAINSBURY 10 7/8 93 £	100	99½	100		11.15
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅞	105⅛	+⅛	11.35
WORLD BANK 11 1/4 95 £	100	101⅛	102⅛		10.64
ABBEY NATIONAL 0 96 NZ$	100	57⅜	58⅜	−⅛	11.05
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104	105	−⅛	[redacted]
AIDC 7 7/8 93 FFr	[redacted]	96⅛	96½		[redacted]
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101⅝		9.55
EURATOM 7 5/8 98 FFr	500	92⅛	92⅝		[redacted]

FLOATING RATE NOTES	[redacted]	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.99	100.09	6.5156
ALLIANCE & LEICS 0.08 94 £	300	[redacted]	99.57	11.9550
BANCO ROMA 0.03 01	200	[redacted]	92.75	6.4675
BANCO SANTO SPIRITO 93	200	99.53	99.63	6.5000
BELGIUM 1/16 97 DM	[redacted]	99.95	100.10	9.1250
BFCE -0.02 96	[redacted]	99.81	99.91	6.1050
BNP 05	[redacted]	95.75	96.75	6.4375
BRITANNIA 1/10 96 £	[redacted]	99.05	99.25	11.9750
CCCE 06 ECU	200	99.79	99.89	9.5938
CITIZENS FED 0.15 96	100	99.25	99.75	[redacted]
COMMERZBK O/S FIN 93	200	99.88	99.98	6.5625
DENMARK -1/8 96	1000	99.58	[redacted]	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.94	[redacted]	9.2656
ELEC DE FRANCE 1/8 99	400	[redacted]	100.70	7.0000
FERRO DEL STAT 94	200	100.50	100.75	6.8750
HALIFAX 1/10 94 £	200	99.80	99.90	11.7250
HILL SAMUEL 1/4 PERP	75	84.50	86.50	6.4375
MITSUI FIN ASIA 1/8 96	100	[redacted]	99.63	7.0000
MORGAN (JP) 1/4 97	250	[redacted]	99.25	6.2500
NAT WEST FIN 3/16 05	400	91.75	92.75	6.5000
NEW ZEALAND 93	500	99.83	[redacted]	6.5000
QUEBEC PROV 01	300	96.38	96.63	6.1250
RENFE 98	500	[redacted]	[redacted]	6.0625
SOCIETE GENERALE 96	300	[redacted]	[redacted]	6.3125
STATE BK VICTORIA 0.05 99	125	[redacted]	[redacted]	6.4875
UNITED KINGDOM -1/8 96	4000	99.99	[redacted]	5.9975

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	114⅜	115⅜	+11.51
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	
BURTON GROUP 4 3/4 01 £	110	3.15	116½	118	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅛	96⅛	+19.54
GOLD KALGOORLIE 7 1/2 00	65	1.0554	72⅛	73⅛	+51.73
GOODYEAR TIRE 6 7/8 03	150	80⅛	75⅛	76⅛	[redacted]74
GRACE (WR) 6 1/4 02	150	42⅛	91	92	+16.16
HANSON 9 1/2 06 £	500	2.5875	97⅛	98⅛	+23.06
HAWLEY 6 02 PREF	400	19.1	76	80	
HILLSDOWN 4 1/2 02 £	150	4.16	110⅛	111⅛	
INTL PAPER 5 3/4 02	200	68⅛	106⅛	107⅛	+2.63
LAND SECS 6 3/4 02 £	84	6.72	82	83⅛	+14.68
MITSUBISHI BK 1 3/4 02	300	2727.1	101½	103	+3.63
OGDEN 6 02	85	39.077	69⅛	70⅛	+40.32
PACIFIC DUNLOP 6 3/4 97	75	3.749	[redacted]	107½	-1.00
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	[redacted]	84⅛	+89.67
THORN EMI 5 3/4 04 £	103	7.45	112⅛	113⅛	[redacted]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

FT GUIDE [redacted] CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 15, 1991 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		[redacted]	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	60.0605	33.5871	43.9645
Albania	(Lek)	10.2865	6.2248	3.481	4.5565
Algeria	(Dinar)	29.83	18.0514	[redacted]	13.2137
Andorra	(Fr Fr)	10.0275	6.068	3.3934	4.4418
	(Sp Peseta)	[redacted]	112.103	62.6903	82.0598
Angola	(Kwanza)	97.65	[redacted]	33.0456	[redacted]
Antigua	(E Carr $)	[redacted]	2.6853	1.5016	1.9656
Argentina	(Austral)	[redacted]	9905.97	[redacted]	7251.21
Aruba	(Florin)	2.9420	1.7803	0.9956	[redacted]
Australia	(Aus $)	2.1310	1.2895	0.7211	[redacted]
Austria	(Schilling)	20.805	[redacted]	7.0406	9.2159
Azores	([redacted] Escudo)	253.50	153.404	85.7868	112.292
Bahamas	[redacted]	1.6525	1	0.5592	[redacted]
Bahrain	[redacted]	0.6196	0.3749	0.2096	0.2744
[redacted]	(Sp Peseta)	185.25	[redacted]	62.6903	82.0598
Bangladesh	(Taka)	57.00	[redacted]	19.2893	[redacted]
Barbados	[redacted]	3.3055	[redacted]	1.1186	[redacted]
Belgium	(Belg Fr)	60.95	[redacted]	20.626	26.9988
Belize	(B $)	3.2870	[redacted]	1.1123	1.456
Benin	[redacted]	501.375	303.404	169.67	222.093
Bermuda	(Bermudian $)	1.6525	1	0.5592	0.732
[redacted]	(Ngultrum)	[redacted]	[redacted]	14.2131	[redacted]
[redacted]	(Boliviano)	5.90	3.5703	[redacted]	[redacted]
Botswana	(Pula)	3.4360	[redacted]	1.1627	[redacted]
Brazil	(Cruzeiro)	534.85	323.661	180.998	236.921
Brunei	(Brunei $)	2.8797	[redacted]	0.9745	1.2756
Bulgaria	(Lev)	31.014	[redacted]	[redacted]	13.7382
Burkino Faso	(CFA Fr)	[redacted]	[redacted]	[redacted]	[redacted]
Burma	(Kyat)	[redacted]	6.5349	[redacted]	[redacted]
Burundi	(Burundi Fr)	[redacted]	[redacted]	96.6159	[redacted]
Cambodia	[redacted]	1314.80	[redacted]	[redacted]	[redacted]
Cameroon	(CFA Fr)	[redacted]	[redacted]	[redacted]	[redacted]
Canada	[redacted]	1.8905	1.144	0.6397	[redacted]
Canary Is	(Sp Peseta)	[redacted]	112.103	[redacted]	82.0598
Cp. Verde	(CV Escudo)	[redacted]	77.7004	43.4517	56.877
Cayman Is	(CI $)	[redacted]	0.8254	[redacted]	[redacted]
Cent. Afr. Rep	[redacted]	501.375	[redacted]	169.67	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	169.67	222.093
[redacted]	(Chilean Peso)	[redacted]	[redacted]	[redacted]	256.399
[redacted]	(Renminbi Yuan)	[redacted]	[redacted]	2.9813	3.9025
Colombia	[redacted]	[redacted]	[redacted]	347.411	[redacted]
Comoros	[redacted]	501.375	303.404	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	169.67	[redacted]
Costa Rica	(Colon)	[redacted]	[redacted]	[redacted]	[redacted]
Côte d'Ivoire	[redacted]	[redacted]	[redacted]	[redacted]	222.093
Cuba	[redacted]	1.3090	[redacted]	0.4429	[redacted]
Cyprus	(Cyprus £)	0.8000	0.4841	0.2707	0.3543
[redacted]	(Koruna)	[redacted]	30.9046	[redacted]	[redacted]
[redacted]rk	(Danish [redacted])	[redacted]	[redacted]	[redacted]	5.0741
[redacted] Rep	[redacted]	290.00	175.492	[redacted]	[redacted]
Dominica	(E Carrib $)	[redacted]	[redacted]	1.5016	1.9656
Dominican Rep	[redacted]	[redacted]	[redacted]	7.1191	[redacted]
Ecuador	[redacted]	[redacted]	1021.57	571.286	[redacted]
		[redacted]	1101.47	[redacted]	[redacted]
Egypt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
El Sa[redacted]	(Colon)	13.2053	[redacted]	[redacted]	[redacted]
Equat'l Guinea	[redacted]	[redacted]	303.404	[redacted]	[redacted]
Ethiopia	(Ethiopian Birr)	3.3770	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Faroe Is	(Danish Kroner)	[redacted]	[redacted]	[redacted]	[redacted]
Fiji Is	(Fiji $)	[redacted]	[redacted]	[redacted]	[redacted]
Finland	(Markka)	7.09	4.2904	2.3993	[redacted]
France	(Fr)	[redacted]	[redacted]	[redacted]	[redacted]
Fr. Cty/[redacted]	([redacted] Fr)	501.375	303.404	169.67	222.093
Fr. Guiana	(Local Fr)	[redacted]	6.068	[redacted]	[redacted]
[redacted]	[redacted]	180.00	[redacted]	[redacted]	79.7342
Gabon	[redacted]	[redacted]	303.404	169.67	222.093
Gambia	[redacted]	14.3970	[redacted]	[redacted]	[redacted]
[redacted]	(D-Mark)	[redacted]	[redacted]	1	[redacted]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[redacted]na	(Cedi)	605.544	366.441	204.922	268.237
Gibraltar	(Gib £)	1.00	0.6051	0.3384	0.4429
Greece	(Drachma)	321.79	194.729	108.897	142.543
Greenland	(Danish Krone)	11.4550	6.9319	3.8764	5.0741
Grenada	(E Carr $)	4.4375	2.6853	1.5016	1.9656
Guadaloupe	(Local Fr)	10.0275	6.068	3.3934	4.4418
Guam	(US $)	1.6525	1	0.5592	0.732
Guatemala	(Quetzal)	8.0463	4.8691	2.7229	3.5642
Guinea	(Fr)	1018.95a	616.611	344.822	451.362
		493.05n	298.366	166.853	218.405
Guinea-Bissau	(Peso)	1068.25	646.445	361.506	473.2
Guyana	(Guyanese $)	208.70	126.293	70.626	92.4473
Haiti	(Goude)	8.2175	5	2.7808	3.64
Honduras	(Lempira)	9.2316	5.5864	3.124	4.0893
Hong Kong	(HK $)	12.77	7.7276	4.3214	5.6566
Hungary	(Forint)	125.98	76.236	42.6328	55.805
Iceland	(Icelandic Krona)	102.83	62.2269	34.7986	45.5503
India	(Indian Rupee)	42.00	25.416	14.2131	18.6046
Indonesia	(Rupiah)	3221.95	1949.74	1090.34	1427.22
Iran	(Rial)	112.00	67.776	37.9018	49.6124
Iraq	(Iraqi Dinar)	0.5935	0.3591	0.2008	0.2629
Irish Rep	(Punt)	1.1050	0.6686	0.3739	0.4894
Israel	(Shekel)	3.95	2.3903	1.3367	1.7497
Italy	(Lira)	2199.50	1331.01	744.332	974.308
Jamaica	(Jamaican $)	16.465	9.9636	5.5719	7.2934
Japan	(Yen)	225.75	136.611	76.3959	100
Jordan	(Jordanian Dinar)	1.1165	0.6756	0.3778	0.4945
Kenya	(Kenya Shilling)	47.45	28.714	16.0575	[redacted]
Kiribati	(Australian $)	2.131	1.2895	0.7211	0.9439
Korea North	(Won)	1.5940	0.9645	0.5394	0.706
Korea South	(Won)	1205.87	729.725	408.078	534.162
Kuwait	(Kuwaiti Dinar)	0.4781	0.2893	0.1617	0.2117
Laos	(New Kip)	1150.45	696.188	389.323	509.612
Lebanon	(Lebanese £)	1475.00	892.587	499.154	653[redacted]
Lesotho	(Maloti)	4.7405	2.8686	1.6042	2.0998
Liberia	(Liberian $)	1.6525	1	0.5592	0.732
Libya	(Libyan Dinar)	0.4890	0.2959	0.1654	0.2166
Liechtenstein	(Swiss Fr)	2.5575	1.5476	0.8654	1.1328
Luxembourg	(Lux Fr)	60.95	36.8835	20.626	26.9988
Macao	(Pataca)	13.1840	[redacted]	4.4615	5.84
Madagascar	(MG Fr)	2913.75	[redacted]	986.041	[redacted]
Madeira	(Port Escudo)	253.50	[redacted]	85.7868	112.292
Malawi	(Kwacha)	4.8155	[redacted]	1.6296	[redacted]
Malaysia	(Ringgit)	4.5760	[redacted]	1.5485	[redacted]
Maldive Is	(Rufiya)	16.3855	[redacted]	5.545	7.2582
Mali Rep	(CFA Fr)	501.375	[redacted]	169.67	[redacted]
Malta	(Maltese £)	0.5605	[redacted]	0.1896	0.2482
Martinique	(Local Fr)	10.0275	6.068	3.3934	4.4418
Mauritania	(Ouguiya)	136.50	82.6021	46.1928	60.4651
Mauritius	(Maur Rupee)	27.55	16.6717	9.3231	12.2037
Mexico	(Mexican Peso)	4971.05a	3008.2	1682.25	2202.02
		4959.10d	3000.97	1678.21	2196.72
Miquelon	(Local Fr)	10.0275	6.068	3.3934	4.4418
Monaco	(French Fr)	10.0275	6.068	3.3934	4.4418
Mongolia	(Tugrik)	5.5150	3.3373	1.8663	[redacted]
Montserrat	(E Carr $)	4.4375	2.6853	1.5016	[redacted]
Morocco	(Dirham)	15.00	9.0771	[redacted]	[redacted]
Mozambique	(Metical)	2509.55	1518.64	849.255	[redacted]
Namibia	(S A Rand)	4.7405	2.8686	[redacted]	[redacted]
Nauru Is	(Australian $)	2.131	1.2895	0.7211	[redacted]
Nepal	(Nepalese Rupee)	[redacted]	42.4674	23.7487	31.0863
Netherlands	(Guilder)	[redacted]	2.0121	1.1252	1.4728
N'ed Antilles	(A/Guilder)	[redacted]	1.7803	0.9956	1.3032
New Zealand	(NZ $)	[redacted]	1.7653	0.9872	1.2922
Nicaragua	(Gold Cordoba)	8.2175	4.9727	2.7808	[redacted]
Niger Rep	(CFA Fr)	501.375	303.404	169.67	[redacted]
Nigeria	(Naira)	17.6675	10.6913	5.9789	[redacted]
Norway	(Nor. Krone)	11.5425	6.9848	3.906	[redacted]
Oman	(Rial Omani)	0.6328	0.3829	0.2141	0.[redacted]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[redacted]	(Pak. Rupee)	[redacted]	23.6006	[redacted]	17.2757
Panama	(Balboa)	1.6525	1	0.5592	[redacted]
Papua New Guinea	[redacted]	1.5700	0.95	[redacted]	0.6954
Paraguay	(Guarani)	2176.29	1316.97	736.477	964.027
Peru	(New Sol)	1.3200	0.7987	0.4467	0.5847
Philippines	[redacted]	42.50	25.7186	14.3824	18.8261
Pitcairn Is	(£ Sterling)	1.00	0.6051	0.3384	0.4429
	(NZ $)	2.9172	1.7653	0.9872	1.2922
Poland	[redacted]	18701.00	11316.8	6328.6	[redacted]
Portugal	(Escudo)	253.50	153.404	[redacted]	[redacted]
Puerto Rico	(US $)	1.6525	1	0.5592	0.732
Qatar	(Riyal)	5.9824	3.6202	[redacted]	2.65
Reunion Is. de la	([redacted])	10.0275	6.068	3.3934	4.4418
Romania	[redacted]	101.28	61.2889	34.2741	44.8637
Rwanda	(Fr)	210.05	127.11	71.0829	93.0454
[redacted]	(E Carr $)	4.4375	[redacted]	[redacted]	[redacted]
[redacted]	(£)	1.00	[redacted]	[redacted]	[redacted]
[redacted]	(E Carr $)	4.4375	2.6853	[redacted]	[redacted]
St Pierre	(French Fr)	10.0275	6.068	[redacted]	4.4418
St Vincent	(E Carr $)	4.4375	[redacted]	1.5016	1.9656
[redacted] Marino	(Italian Lira)	2199.50	[redacted]	744.332	974.308
[redacted] Tome	(Dobra)	[redacted]	185.991	[redacted]	136.146
Saudi Arabia	(Riyal)	6.2023	3.7532	[redacted]	2.7474
Senegal	[redacted]	501.375	303.404	169.67	222.093
Seychelles	(Rupee)	8.80	5.3252	2.978	3.8981
Sierra Leone	(Leone)	450.90(1)	272.859	152.589	199.734
Singapore	($)	2.8797	1.7426	0.9745	1.2756
Solomon Is	($)	4.4857	2.7144	1.518	1.987
Somali Rep	(Shilling)	4305.95	2605.72	1457.17	1907.4
South Africa	(Rand)	4.7405c	2.8686	[redacted]	[redacted]
		5.1962g	3.1081	[redacted]	2.2751
Spain	(Peseta)	185.25	[redacted]	[redacted]	82.0598
Spanish Ports in N [redacted]	(Sp Peseta)	185.25	112.103	62.6903	82.0598
Sri Lanka	(Rupee)	66.00	39.9394	22.335	[redacted]
Sudan Rep	(£)	[redacted]	[redacted]	2.5028	3.2761
		18.8180g	11.3875	6.3681	8.3357
Surinam	(Guilder)	[redacted]	1.7751	0.9927	[redacted]
Swaziland	[redacted]	[redacted]	2.8686	1.6042	[redacted]
Sweden	(Krona)	10.7125	[redacted]	3.6252	4.7452
Switzerland	(Fr)	[redacted]	1.5476	[redacted]	1.1328
Syria	[redacted]	[redacted]	20.8856	11.6796	15.2883
Taiwan	($)	44.725	27.065	15.1353	19.8117
Tanzania	(Shilling)	[redacted]	[redacted]	[redacted]	[redacted]
Thailand	(Baht)	[redacted]	[redacted]	[redacted]	[redacted]
Togo Rep	(CFA Fr)	[redacted]	303.404	169.67	[redacted]
Tonga Is	(Pa Anga)	2.1310	1.2895	[redacted]	[redacted]
Trinidad/Tobago	($)	[redacted]	4.2269	2.3637	3.0941
Tunisia	[redacted]	[redacted]	[redacted]	[redacted]	0.7191
Turkey	[redacted]	[redacted]	[redacted]	[redacted]	3137.32
Turks & Caicos	[redacted]	1.6525	1	0.5592	[redacted]
[redacted]	(Australian $)	2.1310	1.2895	0.7211	0.9439
Uganda	(Ne[redacted])	[redacted]	[redacted]	[redacted]	[redacted]
U A E	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
United Kingdom	(£)	1.00	[redacted]	[redacted]	0.4429
[redacted]	[redacted]	1.6525	1	0.5592	[redacted]
Uruguay	(Peso)	3311.01	[redacted]	1120.48	[redacted]
USSR	(Rouble)	0.9820o	0.5942	[redacted]	[redacted]
		2.9646c	[redacted]	1.0032	1.3132
Vanuatu	(Vatu)	[redacted]	[redacted]	[redacted]	80.8416
Vatican	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	90.3379	[redacted]	30.5712	[redacted]
Vietnam	(Dong)	[redacted]	[redacted]	4838.73	6333.75
Virgin Is-British	(US $)	1.6525	1	0.5592	[redacted]
[redacted]	($)	1.6525	1	0.5592	[redacted]
[redacted]	(Tala)	[redacted]	2.3486	1.3135	1.7193
Yemen	[redacted]	19.8050	[redacted]	6.7021	[redacted]
Yemen PDR	(Dinar)	0.7575	[redacted]	0.2563	0.3356
[redacted]	[redacted]	[redacted]	23.1323	12.9361	16.9329
[redacted]	[redacted]	[redacted]	4597.28	[redacted]	[redacted]
Zambia	(Kwacha)	[redacted]	65.1437	36.4297	47.6854
Zimbabwe	($)	5.3415	3.2323	1.8076	2.3661

Special Drawing Rights July 12, 1991 United Kingdom £0.810074 United States $1.31151 Germany D Mark 2.38734 Japan Yen182.098
European Currency Unit Rates July 15, 1991 United Kingdom £0.696440 United States $1.14425 Germany D Mark 2.05508 Japan Yen156.934

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data [redacted] by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5; Monday, July 15, 1991. (1)Sierra Leone: Leone devalued by approx. 14%.

INTERNATIONAL CAPITAL MARKETS

Barclays in first UK Ecu capital move

By Simon London

BARCLAYS Bank has placed Ecu105m 10-year subordinated notes with a small group of Far Eastern investors, becoming the first UK clearing bank to raise capital denominated in European currency units.

Several European banks have already used the Ecu to raise capital. The basket nature of the Ecu makes it a good match for a bank which has assets denominated in a variety of European currencies. For example, in May Banesto issued Ecu80m convertible bonds, which count as Tier I or core capital under the Basle guidelines on bank capital adequacy.

The proceeds of yesterday's issue counts as Tier II capital for Barclays. The floating-rate notes were placed with mainly Japanese investors by Sumitomo Finance and Sanwa International Structured Finance.

Rolls-Royce joins fund raisers with £150m issue

By Simon London

THE round [illegible] fund-raising by UK companies continued yesterday with Rolls-Royce testing demand for sterling-denominated [illegible] with a £150m [illegible].

The [illegible] bond issue, lead managed by Warburg [illegible], [illegible] 11⅝ per cent [illegible] was re-offered to investors at a fixed price of 99.99. At this level, the yield is 100 basis points over the UK government 9¾ per cent bond maturing 1998.

The pricing was seen as fair by participants in the deal, but most reported slow placement. While the Rolls-Royce name is well known overseas, many investors remember the financial difficulties of the company in the 1970s. Rolls-Royce is now rated A1 by Moody's Investors Service.

In addition, the deal follows three long-dated deals totalling £350m by UK companies last week. Issuing at this shorter maturity, Rolls-Royce was able to gain committed funding over seven years at around 70 basis points over the London interbank offered rate – more attractive terms than [illegible] directly from banks.

The issue was trading just below the re-offered price by the close. The lead manager quoted the deal at 99.75 bid, for a spread of just over 100 basis points.

Elsewhere, BP America took advantage of the seemingly insatiable appetite of international investors for Canadian dollar paper, raising C$200m over 10-years in a deal lead managed by J. P. Morgan.

The deal follows successful issues at this maturity by PSK [illegible] Eurofima, [illegible] triple-A rated borrowers, in the past two weeks. Both of these deals were launched at a spread over Canadian government bonds of 49 basis [illegible] but had tightened to around 43 basis points yesterday.

Yesterday, BP offered paper with a coupon of 10⅞ per cent, re-offered [illegible] at a fixed price of 99.40. At this level, the yield spread [illegible] government bonds is 71 basis points.

Participants in the deal reported strong demand from investors hoping to buy higher-yielding assets, although even [illegible] buoyant Canadian dollar [illegible] of [illegible] market [illegible] beginning [illegible] the August holiday season.

In [illegible] sector, LKB Baden-Wuerttemberg [illegible] Ecu150m five-year bonds targeted at retail investors. The [illegible] last [illegible] Ecu200m issue by Credit Suisse, which was seen as [illegible] key test for demand for Ecu-denominated bonds. Yesterday's deal [illegible] a coupon of [illegible]¼ per cent and was priced to yield 9.3 per [illegible].

● TSB Group, the UK bank which launched a £100m subordinated Eurobond issue last week has had its credit rating downgraded from AA to AA– by IBCA, the credit rating agency.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	Coupon [illegible]	[illegible]	Maturity	[illegible]	[illegible] runner
US DOLLARS						
Tung Ho [illegible]	40	[illegible]	100	2001	2½/1½	[illegible] Fleming
STERLING						
Rolls-Royce(a)†	150	11⅝	101.465	1998	1⅞/1⅝	[illegible] Warburg
[illegible]						
LKB Baden-Wuerttemberg(a)†	150	9¼	101.425	1996	1⅞/1.825	Nomura Int.
CANADIAN DOLLARS						
BP America(a)†	*200*	*10⅞*	*101*	*2001*	*2/1¾*	*J.P. Morgan* [illegible]
FRENCH FRANCS						
[illegible]	6bn	9½	99.98	1992	[illegible]	[illegible]
D-MARKS						
[illegible]	150	[illegible]	101⅛	1996	2/1¼	Deutsche Bk.
[illegible] FRANCS						
[illegible]	100	[illegible]	101½	1998	-	Wirtschafts [illegible]
LIRE						
Credit Local de [illegible]	150bn	12.2	101.775	[illegible]	1⅞/1¼	[illegible]

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing L150bn deal on July 30. Non-callable. c) Put option 2/7/96 to yield 7¼%.

County NatWest closes Far East units

By Sara Webb

COUNTY NatWest, the investment banking arm of National Westminster Bank, closed its Hong Kong and Singapore operations yesterday with the loss of about 70 jobs.

The closure of County NatWest Securities Asia's Hong Kong subsidiary is part of County NatWest's worldwide cost-cutting plan. Earlier this year, Lord Alexander, chairman of National Westminster Bank, announced that County NatWest had two years in which to turn from a loss to a profit, otherwise it would be closed.

Mr Tim Ferguson, chief executive of County NatWest Securities, said the group would cover the Asian markets from its Japanese and Australian subsidiaries in future.

County NatWest's Hong Kong subsidiary has been operating at a loss for three years and has a market share in Hong Kong of only 1.5 per cent. The Hong Kong subsidiary conducted research and sales, and had a very small trading presence.

Mr Ferguson said it had been decided that the Hong Kong and Singapore operations could not be run as a viable business, although worries about [illegible] future of Hong Kong after 1997 [illegible] played a small part in taking the decision to close it down. County NatWest has cut its four employees in Singapore, three of whom recently joined from Citibank.

County NatWest announced plans [illegible] cut some of its 160 staff in Tokyo at the beginning of this year. The Tokyo operations [illegible] been making a loss, [illegible] Mr Ferguson said that as a result of the job cuts, losses at the Tokyo subsidiary in the first six months were lower than the losses from the Hong Kong office during the same period of time. Precise figures for the losses have not been released.

● STAR Paging (International Holding), [illegible] Hong Kong telecommunications group, plans to sell 25 per cent of its shares [illegible] the public, at HK$1.08 [illegible] share, to raise [illegible]

Fresh try on securities directive

By Simon London

HIGH-level representatives of European governments will meet in September in a further attempt to reach agreement on the controversial Investment Services Directive, which aims to put securities firms on an equal footing with banks by giving them a "single passport" to do business in Europe.

There were fears that the directive would be shelved after a meeting of European economic and finance ministers earlier this month failed to reach agreement.

However, the European Commission now accepts that the ISD is unlikely to be on the European statute books by January 1993, when the single passport for banks comes into force. If this happens banks could have [illegible] competitive advantage over securities firms.

Mr Geoffrey Fitchew, head of the EC directorate responsible for financial institutions, said in London last week that the commission would "do whatever we reasonably can" to get agreement on [illegible] directive. However, he said that an agreement was only likely in the next 12 to 18 months.

Securities firms in London *said yesterday that a failure to* have an agreement in place by 1993 would place them at a competitive disadvantage in relation to banks and could [illegible] European governments to introduce legislation [illegible] protect their [illegible] firms.

There [illegible] main areas of [illegible]agreement:

● Proposals backed the French and other southern European governments that all securities business should take place on "regulated markets" as recognised by [illegible] member state. This [illegible] put international markets without formal listing requirements, such as [illegible] International and the Eurobond market, out of business.

● Proposals for stiff disclosure requirements including rapid disclosure of trades. UK firms fear that this would damage the "market maker" system, which allows some delay in the publishing of large trades.

The commission had hoped to gain agreement on a compromise text which would allow off-market trading between professional investors and allow each national government to fix [illegible] requirements for their regu*lated markets.*

Mr Fitchew said that the commission favoured the right of investors to undertake off-market dealings and said that [illegible] need for transparency must not harm the liquidity and the efficiency of existing markets".

However, the commission does appear to have made progress in other areas. For example, a compromise text which would give banks access to all European stock markets by 1996 looks likely to be accepted.

In addition, Mr Fitchew [illegible] that a common approach to capital adequacy guidelines for securities firms was likely to be secured before the year end.

Swiss bank casts doubt on classification of companies

By William Dullforce in [illegible]

BANK JULIUS BAER, the Swiss investment bank, has concluded that 75 of the 114 Swiss companies which it covers *in its stock guide do not* deserve to be classified as publicly owned.

The bank's findings, in a study of Swiss share ownership, *is* likely to revive controversy over Swiss regulations which allow companies to deny investors voting rights in order to prevent takeovers.

Companies were classified into five categories, ranging from those represented on the stock exchange only by non-voting shares and those controlled by the issue of registered shares with low par values to companies with a broad spread of investors and "moderate" restrictions on the registration of stocks.

The 75 companies which *Julius Baer says do not* deserve to be considered as publicly owned made up 66 per cent of its stock guide but accounted for less than 24 per cent of Swiss stock market capitalisation of SFr244bn ($157bn) at the end of May.

Over the past two years they have been outperformed in share price by companies with blocking minorities and by the 19 corporations which have no principal shareholders determining their corporate policies. The latter category includes the three big Swiss banks, two of the three big chemical [illegible] Nestlé, [illegible] concern, although some of [illegible] their [illegible] on [illegible] ownership.

Many institutional investors are avoiding closed corporations, the bank said. In the long run, such companies would have to simplify their structures, even if it meant losing a controlling majority.

The free float, the market value of stocks freely traded on the Swiss exchange, amounted to SFr184bn or roughly 75 per cent of total market capitalisation, the study found. Foreigners, both private and institutional, owned 36 per cent of Swiss shares and participation certificates at the end of May.

SEHK relaxes rules on stock borrowing

THE Stock Exchange of Hong Kong (SEHK) will allow member-brokers to undertake stock borrowing and lending from August 1, Reuter reports from Hong Kong.

Mr Nicholas Clement-Jones, *SEHK's assistant director,* said the decision was one of a series of plans to improve efficiency of the trading system.

Under the new rule, member-brokers can borrow and lend shares to other brokers, provided they return them within 14 days, and have no need to pay a stamp duty of 0.3 per cent of the transaction amount.

Mr Samuel Lee, deputy head of the Compliance Department of the SEHK, said the borrowers must give a collateral of not less than 100 per cent of the market value of the loaned stocks to the lenders.

Mr Lee said members must gain the approval of their clients when borrowing and lending stocks.

He said the SEHK's guarantee or the fidelity fund, the two cash pools earmarked for compensating members for default deals, will not compensate any loss resulting from defaults of the stock borrowing and lending deals.

The potential providers of the stocks will be custodian banks, large brokers, individual investors and fund managers.

Australian property trusts seeks listing

GROWTH Equities Mutual Property Trust, Australia's biggest unlisted property trust, plans to group six shopping centre properties into an investment trust and list it on the Australian Stock Exchange, AP-DJ reports from Sydney. The new trust will have assets of A$470m.

Trusts in Australia pool funds from investors to buy and manage properties or shares. Property trusts that are not listed were forced last year to freeze redemptions when Australia's weakening property market prompted a rush of redemptions that trust managers could meet only if they held fire sales of assets.

Growth Equities Mutual froze most redemptions for its trusts last November and like other managers has been considering a stock exchange listing so that investors can sell if they need funds urgently.

The trust said that rather than sell in a depressed market it wants to list the retail properties through the new trust and maintain other properties until the market recovers.

The new trust will be the second biggest shopping centre property trust on the Australian stock market if the plan is approved.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jul 15 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Jul 12 Index No.	Thu Jul 11 Index No.	Wed Jul 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	806.24	[illegible]	10.77	5.98	11.45	22.20	802.71	804.14	799.69	893.08
2	Building Materials (24)	1023.63	[illegible]	9.54	6.09	13.28	30.76	1021.01	1021.95	1010.70	1120.01
3	Contracting, Construction (31)	1140.47	+0.6	9.76	6.84	13.52	31.97	1133.38	1133.41	1128.27	1446.47
4	Electricals (10)	2312.92	+1.4	11.10	5.79	11.46	61.85	2280.07	2299.53	2301.87	2437.72
5	Electronics (25)	1691.14	–1.5	8.91	5.32	14.93	46.44	1717.57	1714.26	1707.09	1854.23
6	Engineering-Aerospace (8)	406.88	......	16.83	6.16	7.13	12.11	406.70	407.36	407.65	485.61
7	Engineering-General (46)	434.51	+0.3	12.70	5.79	9.64	11.82	433.31	433.45	433.03	488.71
8	Metals and Metal Forming (8)	425.45	–2.6	16.58	8.30	7.41	16.70	436.71	438.77	438.68	488.74
9	Motors (12)	308.51	+1.4	12.81	7.84	9.21	9.98	304.11	302.73	298.85	363.27
10	Other Industrial Materials (20)	1553.44	+1.8	8.98	5.18	13.10	34.85	1525.48	1532.70	1522.49	1633.20
21	CONSUMER GROUP (187)	1487.27	+1.3	7.89	3.66	15.61	24.21	1467.65	1471.01	1467.86	1331.25
22	Brewers and Distillers (22)	1813.45	+1.3	8.49	3.65	14.37	27.57	1789.91	1779.74	1774.51	1636.65
25	Food Manufacturing (19)	1181.40	+1.0	9.71	4.19	12.71	24.43	1169.32	1177.94	1183.13	1117.59
26	Food Retailing (17)	2700.48	+1.5	7.98	3.11	16.39	39.61	2661.57	2669.94	2659.52	2582.04
27	Health and Household (22)	3623.60	+1.9	5.25	2.38	21.75	30.86	3555.82	3591.23	3588.90	2662.11
29	Hotels and Leisure (23)	1222.05	+0.8	10.41	5.67	11.47	30.99	1212.78	1226.40	1221.89	1455.31
30	Media (26)	1408.35	+0.7	9.08	5.00	13.96	36.17	1398.11	1385.58	1379.56	0.00
31	Packaging, Paper & Printing (17)	706.45	+0.6	7.96	4.67	15.16	14.33	701.98	704.02	711.03	621.72
34	Stores (32)	930.72	+1.4	8.33	3.90	15.69	17.06	918.24	914.63	907.04	832.16
35	Textiles (9)	539.22	+0.2	9.30	5.75	13.36	13.79	538.30	536.62	530.21	493.72
40	OTHER GROUPS (109)	1227.06	+0.6	10.21	5.23	12.07	23.73	1219.39	1226.64	1232.38	1207.87
41	Business Services (12)	1274.21	+0.5	9.00	5.11	13.57	29.13	1267.41	1271.62	1271.33	0.00
42	Chemicals (21)	1394.60	+0.5	8.04	5.17	14.03	32.92	1387.49	1398.89	1398.41	1302.63
43	Conglomerates (10)	1422.24	+0.7	10.72	7.30	11.27	31.93	1411.83	1423.80	1420.78	1653.27
44	Transport (13)	2144.06	+0.4	8.82	4.97	14.05	48.98	2135.63	2152.84	2145.60	2326.10
45	Electricity (16)	1200.77	–1.1	14.38	5.41	8.88	18.41	1214.71	1204.70	1214.30	0.00
46	*Telephone Networks(4)*	*1458.85*	*+1.1*	*10.17*	*4.17*	*12.87*	*5.58*	*1443.51*	*1463.62*	*1483.13*	*1263.75*
47	Water(10)	2287.86	+1.2	18.06	6.73	6.12	118.37	2261.79	2280.67	2290.30	1905.74
48	Miscellaneous (23)	2009.54	+1.4	6.02	4.81	21.54	47.89	1982.04	1977.44	1983.64	1843.03
49	INDUSTRIAL GROUP (480)	1237.83	+0.9	9.19	4.61	13.41	24.03	1226.36	1230.51	1229.82	1195.39
51	Oil & Gas (20)	2447.29	+1.3	11.09	5.59	11.87	50.59	2415.23	2417.25	2415.69	2392.59
59	500 SHARE INDEX (500)	1339.93	+1.0	9.43	4.74	13.19	26.28	1326.84	1330.89	1330.13	1295.58
61	FINANCIAL GROUP (94)	787.08	+1.7	–	6.02	–	20.81	773.85	781.73	779.58	810.04
62	Banks (9)	896.34	+3.1	6.69	6.18	22.63	22.63	869.32	882.34	877.09	863.36
65	Insurance (Life) (7)	1479.09	+1.4	–	5.59	–	41.64	1458.56	1471.52	1471.23	1479.96
66	Insurance (Composite) (6)	661.58	+0.8	–	6.62	–	20.23	656.26	663.58	665.08	700.81
67	Insurance (Brokers) (8)	1147.58	+0.6	6.80	5.90	19.07	30.61	1140.30	1160.51	1152.14	980.38
68	Merchant Banks (7)	417.94	+0.3	–	5.02	–	11.00	416.81	417.29	417.25	437.74
69	Property (37)	891.19	+0.4	6.28	5.24	22.87	19.84	887.25	886.37	885.48	1096.43
70	Other Financial (20)	257.28	–0.2	11.14	7.01	11.23	7.80	257.76	258.51	257.68	290.29
71	Investment Trusts (70)	1202.77	+0.6	–	3.51	–	19.41	1195.98	1196.10	1192.45	1230.54
[illegible]	ALL-SHARE INDEX (664)	1206.38	+1.1	–	4.87	–	24.65	1193.62	1198.28	1197.17	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Year ago
FT-SE 100 SHARE INDEX♦	2532.5	+35.1	2532.9	2500.0	2497.4	2510.5	2508.4	2487.9	2466.8	2406.5

FIXED INTEREST

	PRICE INDICES	Mon Jul 15	Day's change %	Fri Jul 12	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	121.09	–0.05	121.42	1.87	6.45
2	5-15 years (27)	131.57	+0.05	131.87	2.46	7.10
3	Over 15 years (9)	138.77	+0.06	138.69	2.53	6.44
4	Irredeemables (6)	151.94	+0.21	151.62	1.81	7.34
5	All stocks (71)	130.48	+0.02	130.75	2.27	6.92
	Index-Linked					
6	Up to 5 years (1)	159.36	–0.05	159.43	0.57	2.72
7	Over 5 years (10)	144.60	–0.23	144.93	0.68	2.45
8	All stocks (11)	145.59	–0.22	145.91	0.68	2.46
9	Debs & Loans (56)	109.28	–0.05	109.48	2.50	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 15	Tue Jul 12	Year ago (approx.)
	British Government				
1	Low	5 years	9.02	9.01	10.64
2	Coupons	15 years	9.88	9.89	10.63
3	(0%-7¾%)	20 years	9.88	9.89	10.63
4	Medium	5 years	10.27	10.26	11.99
5	Coupons	15 years	10.08	10.09	11.12
6	(8%-10¾%)	20 years	10.02	10.02	10.77
7	High	5 years	10.45	10.43	12.10
8	Coupons	15 years	10.21	10.22	11.36
9	(11%-)	20 years	10.10	10.11	10.98
10	Irredeemables		10.08	10.10	10.71
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.48	4.46	5.37
12	Inflation rate 5%	Over 5 yrs.	4.39	4.38	4.31
13	Inflation rate 10%	Up to 5 yrs.	3.48	3.45	4.19
14	Inflation rate 10%	Over 5 yrs.	4.19	4.17	4.11
15	Debs &	5 years	11.95	11.90	13.72
16	Loans	15 years	11.74	11.70	12.83
17		25 years	11.53	11.50	12.53

♦Opening Index 2500.0; [illegible] 2511.3; 10 am 2514.6; 11 am 2519.4; Noon 2519.0; 1 pm 2519.0; 2 pm 2522.6; 2.30 pm 2522.5; 3 pm 2521.7; 4.10 pm 2531.7; (a) 4.17pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range [illegible] electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. NAME CHANGE: Greenall Whitley is now Greenalls Group (22).

RISES AND FALLS YESTERDAY

	Rises	Falls	[illegible]
British Funds	30	38	16
Corporations, Dominion and Foreign Bonds	5	2	13
Industrials	[illegible]	181	990
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	15	[illegible]	48
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	609	461	[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or –
83	Nil	–	8½pm	8pm	Amber Day 2½p	8½pm	
155	Nil	–	30pm	9pm	BPB Industries 50p	26pm	–1
315	Nil	–	70pm	50pm	Bespak 10p	51pm	
140	Nil	–	15pm	15pm	British Fittings 20p	15pm	
2½	Nil	–	2pm	½pm	Caverdale 1p	1pm	
108	Nil	–	7pm	4pm	Dart Group 10p	5½pm	
50	Nil	–	23pm	5pm	Gardner (D.C.) 5p	5pm	
266	Nil	–	40pm	10pm	Morland	11pm	
71	Nil	–	7pm	2pm	Regalian Properties	2pm	–2
312	Nil	–	51pm	39pm	Sainsbury (J)	49pm	+3
22	Nil	–	½pm	½pm	Tie Rack 5p	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings	July 8	Calls in Aviva Pet., Barratt Devs., Brent Walker, Bio-Isolates, Cannon Street Invs., Portman Mining, Rosehaugh, Telemetrix and Wellman. Put in Control Sec. Put and call in Monument Oil & Gas.
● Last Dealings	July 19	
● Last Declarations	Oct. 10	
● For settlement	Oct. 21	

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

[illegible]

July 15 Total Contracts 23,217
Calls 12,493 Puts 10,724
FT-SE Index Calls 5,762 Puts 8,427
Euro FT-SE Calls 700 Puts 850
*Underlying security price. † Long-dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

Rising crime rate bolsters ASH

By Jane Fuller

RISING CRIME during the UK recession proved helpful [illegible] Automated Security (Holdings), which supplies burglar alarm and till monitoring systems. It increased pre-tax profit by nearly 10 per cent from £13.5m to £14.8m in the six months to May 31.

Yet, in spite of a reduced tax rate of 12.2 (14.5) per cent, fully diluted earnings per share were flat at 8.7p. This was mainly because of a minority charge related to a preference share issue by a US subsidiary.

Turnover advanced by 5 per cent to £97.3m (£92.5m), while trading profit went up by more than 14 per cent to £21.1m (£18.4m).

Mr Tom Buffett, chairman, said the margin improvement had come in the security systems division, where last year's figures had included five large but low margin projects at nuclear power stations. Its trading profit went up by 16 per [illegible] £17.9m (£15.4m) [illegible] reduced turnover [illegible] £67.1m (£89.2m).

In loss prevention, which includes till monitoring systems to spot theft by shop staff, profit [illegible] by 17 per cent to £4.8m (£4.1m) on turnover [illegible] £30.2m (£23.3m).

Group borrowings [illegible] from £105m at the end of November to £127m, for gearing of nearly 100 per cent, just before [illegible] £60m [illegible] of convertible capital bonds in May, which reduced interim gearing to 37 per cent.

Mr Buffett said: "We were comfortable with [illegible] of about 100 per cent, but investors were not." [illegible] cover was [illegible] times charges [illegible] £6.48m (£6.43m).

Another [illegible] finance would [illegible] provided by selling part [illegible] the rental and leasing portfolio, which [illegible] receivables of £90m. The funds would [illegible] be applied to [illegible] in California, through [illegible] API subsidiary, and continental Europe.

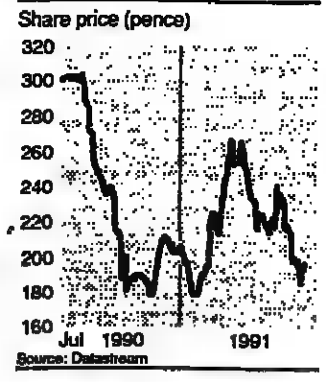
[illegible] selling a [illegible] in [illegible] Group [illegible] other amounts [illegible] with investments, including the still-for-sale Scantronic stake, [illegible] taken below [illegible] line. [illegible] the previous period, these investments had produced a £1.5m profit above [illegible] line.

The interim dividend goes up [illegible] 2.07p (1.8p).

● COMMENT

Mr Buffett set out his stall yesterday to answer some of the criticisms that have been levelled at his fast-growing group. The capital bond issue reduced gearing to a low level for a service company and the deterioration of interest cover has been reversed. Yet £16m cash was still consumed in the first [illegible] months [illegible] questions remain about accounting complexities. Releasing cash from the rental and leasing portfolio looks [illegible] sensible option, and floating part of the loss prevention [illegible] on the agenda. The [illegible] bond increases [illegible] capital by about 14 per cent, keeping pressure on earnings per share which would be intensified if the tax rate started to rise. A pre-tax profit [illegible] is forecast for the full [illegible] with flat earnings. The prospective [illegible] 9.3, on yesterday's [illegible] looks [illegible] sonable value bearing in mind the growth potential. With the security [illegible] image problems aggravated by the [illegible] shareholder unrest at ADT, ASH has been one of that [illegible] tor's [illegible] bad performers.

Automated Security



Source: Datastream

George Walker refutes exploitation allegations

By Maggie Urry

MR GEORGE Walker, former chairman and chief executive of Brent Walker, yesterday hit back at suggestions that his family owed the group substantial sums and that he had made personal use of company assets. The leisure group's 47 banks are currently working on a refinancing package.

Far from exploiting the company, he said that it had exploited him and his family. He said that over the last few years his family trusts had guaranteed loans totalling £250m made to the company.

For example his family trusts had backed loans made to buy the Brighton Marina and borrowings related to buying the brewery and pubs business from Ellerman. The family trusts put £30m into the £101.9m convertible bond issued last November at the time of the standstill agreement with the banks.

The company said yesterday it had no comment to make on weekend press reports alleging that Mr Walker had muddled his private money with that of [illegible] company.

[illegible] said that the group's records were [illegible] bit of a [illegible] but "the banking community does not [illegible] it seriously". The priority was to get the refinancing, covering £1.2bn of bank loans, sorted out.

Mr Walker said that as well as guaranteeing loans, "when the company was unable to borrow the trusts borrowed to lend to it". He said the group owed the trusts £2m, aside from his claim for wrongful dismissal as chief executive.

Although Mr Walker has been threatening to take legal action against the company and its leading banks, so far no writs have been issued. He said: "I am not pushing it at the moment because the company has [illegible] got any money. I do not wa[illegible] to cause them any embarrassment."

The trusts had also helped when Brent Walker needed to borrow to buy the William Hill betting shop chain in 1989, Mr Walker said. The group had to sell assets and his family trust bought some vineyards.

He said the deal was done on an arm's length basis. Hill Samuel, the merchant bank, had said it was fair. Weatherall Green & Smith, the surveyors, had valued the properties and a circular had been sent to shareholders about the deal.

Responding to another allegation, he said that he had used the company plane privately, but on each occasion paid for it, as other directors had done. He said Mrs Jean Walker, his wife and a director of the group, had been responsible for clearing expenses and had taken the same strict line with his as with other directors' expenses.

ICI investigates strategic joint ventures with Japanese groups

By Charles Leadbeater, Industrial Editor

IMPERIAL CHEMICAL Industries is considering a significant expansion in Japan and south-east Asia, including forming strategic joint ventures with one or two Japanese chemical groups.

The company's priority is finding a food processing and distribution partner to help with the Japanese launch of Quorn, its meat substitute made from mycoprotein.

Dr John Russell, chief executive of ICI's Japanese operations, said the company was ahead of its schedule – set up in 1987 – to triple sales in Japan by 1995. ICI's turnover in Japan last year was Y175bn (£776m).

Strong growth in Asian economies in the next few years would mean the region would acquire a growing significance in the company's overall international strategy, he added.

ICI's operations in Japan have not been affected by speculation that Hanson, the acquisitive Anglo-American conglomerate, may launch a takeover bid after acquiring a 2,8 per cent stake in the chemicals group.

Dr Russell said "The Japanese do not take it seriously. They do not think there will be a bid and if there were they do not believe it would succeed."

He said the group should take several steps to expand and widen its activities in Japan, which already include five joint ventures, two factories and two research centres.

● The initial focus will be to strengthen its research capabilities designed to develop products for Japanese customers, mainly large international manufacturing groups. It was impossible to develop products solely in Europe for highly demanding Japanese customers, said Dr Russell. "We have to do more technical work locally closer to our customers."

● Expanded research in Japan would create the basis for selected investment in local manufacturing. ICI has two wholly-owned plants in Japan manufacturing polyester film and pharmaceuticals. The most likely candidate for further investment is a factory to make Klea 134a, the chlorofluoro-carbon substitute, although this will depend on whether Klea plants in the UK and the US are a success. A site for the new Japanese plant has already been found, according to an ICI executive in the UK.

● Dr Russell said ICI would explore strategic alliances with one or two J[illegible] chemicals groups [illegible] the [illegible] and ambition to expand internationally. The Japanese chemical industry is highly fragmented with about 4,500 companies, few of which have the [illegible] to compete internationally.

ICI [illegible] had mixed results with [illegible] five Japanese joint ventures, mainly [illegible] its involvement in board [illegible] making [illegible] not been replicated [illegible] the operational management [illegible] ventures, which include polyurethane and agro-chemicals.

● Eventually, ICI [illegible] headquarters one of [illegible] international [illegible] in Japan [illegible] commitment [illegible].

TVS seeks court approval for reduction in capital

By Raymond Snoddy

TVS ENTERTAINMENT, the south of England television company, plans to apply to the court for permission to reduce its capital so that it can start paying dividends again.

In the 14 months to the end of 1990, TVS incurred exceptional losses of £25.1m because the company decided to make a provision of £20.7m to reflect the carrying costs of MTM, its US production acquisition.

Mr Rudolf Agnew, chairman, said at the annual meeting yesterday that the capital reduction, if approved, would enable the company "to resume dividend payments when appropriate".

At the moment TVS has a [illegible] of £118m on its profit and loss account but overall has net assets of £82m.

The restructuring will include taking the p and l account to nil and resuming the payments of dividends when the level of profit allows.

A circular on the restructuring to be sent to shareholders in the first week of August will reveal the size of the TVS bid to retain its franchise.

Mr Agnew was pressed yesterday by Mr Martin Jackson, one of the company's founding shareholders, to say whether the bid figure was £55m, as reported by the Financial Times.

Mr Jackson said he was concerned about the damage that speculation could cause to the company over the next couple of weeks.

The chairman said he had agreed a programme with the stock exchange which ensured that details will be sent to all shareholders at the same time.

"I have to remain silent," Mr Agnew said.

Two new shareholders, Time Warner and Daily Mail and General Trust, and two existing shareholders, Canal Plus and Compagnie General des Eaux, have agreed to put up £30m in new funds if TVS retains its [illegible].

Holmes Protect debt plan held up by rival

By Richard Gourley

Mr Tom Mayer, chairman of Holmes Protection, the US-based security and alarm [illegible] yesterday that he is continuing [illegible] towards a [illegible] restructuring but was being hindered by Sir Ian MacGregor, former chairman [illegible] British Steel.

Sir Ian's efforts to put together an investor group backed by two institutional shareholders had delayed meetings scheduled with its lenders last week, said Mr Mayer in a letter to shareholders.

Scottish Amicable and AGF are supporting an investment group which claims to speak for more than 30 per cent of the London-quoted company's shares and wants to install Sir Ian as chairman.

Mr Eric Kohn, a former head of Holmes, would become chief operating officer under the group's proposals.

Mr Mayer said Sir Ian had not provided any details.

NEWS DIGEST

Dalepak advances 57% to £3m

IN SPITE [illegible] the [illegible] food market, Dalepak Foods saw pre-tax profits surge 57 per cent, from £1.92m to £3.02m, in the year to April 30.

Turnover rose 21 per cent to £40.7m (£33.7m), with continuing businesses ahead 32 per cent.

Sales of frozen foods grew by 31 per cent, most of which stemmed from development of the vegetable grills and vegetable burger market.

Meat grillsteaks now represented less than half of frozen food sales and only 39 per cent of turnover, compared with 95 per cent three years ago.

Ready Meals lifted sales by 39 per cent and moved into profit for the whole year.

There was an extraordinary charge of £491,000 following withdrawal from the pork pie, sausage roll, and quiche markets.

Earnings were 17.62p (11.64p). The proposed final dividend is 3.8p for a total of 5p (4p).

Revamped CRT makes £5.2m

CRT Group, the training, recruitment and consultancy company created in December 1989 via the reverse takeover of R. Smallshaw, a quoted knitwear company, reported pre-tax profits of £5.19m on turnover of £40.9m in the 16 months to April 30.

The company published figures for the year to December 31 1989, when the by-then ailing knitwear company incurred [illegible] losses [illegible] £1.9m on turnover of £9.94m.

[illegible] also supplied pro [illegible] results [illegible] the [illegible] months to April [illegible] in which profits [illegible] £5.47m on turnover [illegible] £38.7m.

During the 16 months, Smallshaw was sold to its management in October 1990, and six acquisitions in the recruitment and training fields – including the Link Organisation and Pitman Training Group – were completed. Their aggregate initial considerations totalled about £21m.

Tax in the 16 months was charged at over 39 per cent, taking £2.04m. There was an extraordinary debit of £2.31m relating to losses on the disposal of Smallshaw, [illegible] another [illegible] provision against ordinary and preference [illegible] in the purchase of the knitwear business.

[illegible] profits came to £274,000 (pro forma £3.66m) and earnings to 7.21p (pro forma 7.22p) per share. A dividend of [illegible] for the [illegible] months [illegible] proposed.

Property gain aids Central Motor

With the help of £256,000 from a property sale, Central Motor Auctions turned in pre-tax profits of £861,000 for the six months to April 30, against £843,000.

Auction proceeds rose to £155.7m (£145.7m), reflecting a modest increase in the sale of cars but a slight decline in commercial vehicles and plant.

The property gain incorporated the surplus on sale of the Bradford auction [illegible] after the [illegible] of transferring the business there and [illegible] Bruntcliffe to the enlarged Rothwell site.

Earnings came to 5.1p (4.78p) and the interim dividend is [illegible] at 1p.

Shoprite held down by expansion costs

Shoprite Group is continuing apace with its expansion in discount food retailing in Scotland, although the costs involved are weighing heavily against trading profits.

However, in 1992 pre-tax profit from Scotland is expected to exceed the £2.25m total made by the group in 1989-90.

Profit in 1992 would also be improved by reduced borrowings following asset sales.

The development costs and the general trend in grocery retailing meant pre-tax profit [illegible] the half year [illegible] April [illegible] fell from [illegible] although [illegible] £18m (£15.3m). Earnings per [illegible] 1p (6.9p).

In [illegible] Isle of [illegible] the group's base, margins [illegible] to stimulate sales, and [illegible] outlook was for consolidation, said Mr Deryck Nicholson, chairman.

In Scotland, five stores were opened with a further three by the end of July, and their trading performance [illegible] expectations.

CCS requests receivers [illegible] offshoots

[illegible] Group, the USM-quoted building sub-contractor, [illegible] requested receivers be called into the contracting companies within [illegible] loss-making Midlands division.

The move will delay the publication of the accounts for the year to November 31 1990. CCS has also asked that its shares [illegible] suspended [illegible] 2p pending clarification of [illegible] position.

[illegible] the company reported pre-tax profits of £12,000 (£177,000) for the year with [illegible] extraordinary [illegible] of £508,000 relating to earlier [illegible] and costs [illegible] with an abortive purchase. The dividend was passed following the [illegible] not to pay the announced interim dividend of 0.2p.

Bromsgrove offer for Invetek lapses

Bromsgrove Industries' final [illegible] Invetek [illegible] lapsed following insufficient [illegible] tances.

By mid-day yesterday, the closing date, Bromsgrove – a specialist engineering group – had acceptances in respect of a total of 194,311 Invetek ordinary shares, 43.7 per cent of Invetek's issued ordinary share capital.

This figure [illegible] acceptances from non [illegible] directors of Invetek, Johnson Fry Corporate Fin[illegible] and other [illegible] irrevocably [illegible] to accept the [illegible] offer.

Offer 'undervalues' Bexbuild Devs

Philip Shapiro, on behalf of [illegible] intends [illegible] a mandatory unconditional cash offer of 55p per share for Bexbuild Developments, [illegible] Manchester-based property investor which trades on the USM.

Late last week, Listcause, a company controlled by Mr Philip Shapiro and Mr Anthony Dean Smith, bought [illegible] representing 10.6 per cent of [illegible] company. The [illegible] paid [illegible] 54[illegible]p per share.

Mr [illegible] chairman, and [illegible] Dean, a [illegible] of Bexbuild, control [illegible] and 1.45m ordinary shares, representing [illegible] per [illegible] and [illegible] per [illegible] respectively.

Mr T Tutton and Mr [illegible] Curl, [illegible] directors [illegible] Bexbuild, said the terms of the offer "substantially [illegible]" [illegible] company and they would recommend shareholders not [illegible] accept. Bexbuild bought 280,000 [illegible] shares [illegible].

Chelsea Man slides £329,000 into red

The effects of the recession coupled with high interest rates left Chelsea [illegible] the USM-quoted menswear retail chain, [illegible] pre-tax losses of £329,000 in the six months [illegible] end-September [illegible]. Sales improved marginally, from £10.3m to £10.6m.

The [illegible] has changed its year-end from June 3 to March [illegible] so the [illegible] compared with profits [illegible] reported in the six months [illegible] December 2 1989.

Operating profits fell from £1.2m to £965,000 and the net interest charge increased to £1.29m (£1.15m).

A nil tax charge compared with [illegible] tax credit of £240,000 after [illegible] restatement of the figures for the period to December 2. Losses per share came out at 3p (2.65p earnings).

There is no dividend. Last year's interim dividend was 0.8p.

William Jacks seeks £2.05m

William Jacks, the specialist car distribution group, is raising some £2.05m net via an underwritten rights issue of [illegible] convertible preference [illegible].

The [illegible] will be on [illegible] basis of one preference [illegible] five ordinary held. The money raised will be used to reduce bank borrowings.

The preference shares will be convertible from [illegible] 31 1991 through [illegible] 1997. [illegible] sion will be on the basis of two ordinary shares for every convertible preference share.

Members of the Johan Holdings Berhad Group are beneficially interested in 70.78 per cent of Jacks' existing equity.

COMPANY NEWS IN BRIEF

BPP HOLDINGS has acquired [illegible] educational publishing business [illegible] Charles [illegible] an initial £3.75m cash plus a deferred turnover-related sum [illegible] maximum £500,000.

BULLERS says [illegible] picture-framing subsidiary, Ingram Fine Arts, has [illegible] into liqui[illegible]. Ingrams stopped supplying framed pictures to out-of-town retailers earlier this year, and attempts to create an alternative [illegible] base proved unsuccessful.

CLOSE BROTHERS is [illegible] acquire SPBF, [illegible] provider [illegible] non-recourse debt factoring and invoice discounting facili[illegible] for about £700,000. As part of the [illegible] Brothers will repay £15m [illegible] inter-company borrowings.

FERGUSON INTERNATIONAL Holdings has bought Globus Druck for DM5.1m (£1.7m), of which DM2.6m [illegible] being paid [illegible] the next three years. Globus, a Dusseldorf-based supplier [illegible] self-adhesive labels, reported profits of DM430,000 for the year [illegible] end-March.

GLEESON (MJ) Group, the building, civil engineering and property group, is raising its stake in Environmental Construction, [illegible] specialist in sewage and effluent treatment, from 25 to 52 per [illegible].

GRAND METROPOLITAN [illegible] sidiary, Haagen-Dazs, is [illegible] build its [illegible] European manufacturing plant, [illegible] a move [illegible] further [illegible] position [illegible] cream [illegible] European [illegible]. The $60m [illegible] facility is to be built in Arras, France, and [illegible] scheduled [illegible] completion in November [illegible].

NORTHUMBRIAN WATER is [illegible] invest up [illegible] £1.25m in [illegible] joint venture, [illegible] Technology, with HTW Hi-Tech Water International, for [illegible] development [illegible] membrane technology for sewage treatment. It has acquired [illegible] business [illegible] a Gateshead-based drilling [illegible] blasting company [illegible] a maximum £250,000.

PEEK has acquired Ferranti Road [illegible] Systems from Ferranti International for an initial £1.26m in [illegible] with [illegible] further £250,000 payable on certain conditions being met.

SALVESEN (CHRISTIAN) has acquired Light and Sound Design, which makes and hires lighting systems, for a [illegible] mum of £13.5m. Payment wil be an initial [illegible] with £1.39m in loan [illegible] and the balance in [illegible].

SINCLAIR (WILLIAM) has purchased Keith Barraclough Aquarist, which operates as King British Aquarium Accessories making foods and water treatments for ornamental fish. Consideration totals £1.88m comprising 500,000 ordinary shares with the balance [illegible] in cash.

BOARD MEETINGS

[illegible]

Interim- Eurotherm Intl.

[illegible] Batleys, [illegible] (Matthew), CESC, Electron House, Helton, Multitone Electronics, Nobo, Standard Platform, Wood (John D).

FUTURE DATES

Interims-

Assoc British Ports	July 23
Bensons Crisps	Aug. 6
Berkeley Govett	July 22
Derby Trust	July 25
Drayton Far Eastern	July 18
Hilladown	Sep. 4
Novo Nordisk	Aug. 14
Owners Abroad	July 26
Pacer Systems	Aug. 13
Reuters	July 23
Rotork	Aug. 7
Standard Chartered	Aug. 7
Sterling Trust	July 19
Thornton Asian Emerging	July 29
Transport Developments	Aug. 5
Victaulic	Aug. 21

Finals-

Aberdeen Trust	July 23
Assoc British Consultants	July 23
EIT	July 18
Kitty Little	July 19
Levercrest	July 26
Norbain Electronics	July 17
Prism Leisure	July 18
Shield	July 29
Sutherland	July 26
Tinsley (Eliza)	July 23
Wentworth Intl	July 19

Acquisitions help Ellis & Everard rise to £17.5m

By Clare [illegible]

ACQUISITIONS helped Ellis & Everard, the chemicals distributor, achieve a 14 [illegible] increase in pre-tax profits [illegible] £15.4m to £17.5m in the year to end-April.

However, growth slowed in the second half as the group felt the effects of recession in the UK as well as the US.

Mr Peter Wood, managing director, said [illegible] combined [illegible] of [illegible] in both countries curbed pre-tax profits by [illegible] during the year.

A 40 per cent drop in the price of chlorine in the US also had a big impact on margins, cutting about [illegible] from the pre-tax line.

Further dampening [illegible] translation of dollar earnings [illegible] a [illegible] rate, and redundancies. Some 100 jobs were eliminated from the US operation and 40 in the UK, at a combined cost of £400,000.

Adjusting for the £29m 1-for-3 rights issue of last June, earnings per share fell to 15.9p (18p). A final dividend of 4.8p is recommended, making 7.05p against 7p actual last [illegible]

Mr [illegible] said [illegible] was optimistic [illegible] the short-term outlook in the US. "We do see signs their economy is looking a bit better," he said, "although we see no evidence of this in the UK."

Almost all the growth in sales, which reached [illegible] (£291.9m), and operating profits, which rose to £18.3m (£17.3m) came from acquisitions [illegible] year.

In the US, acquisitions provided a 49 per cent boost to [illegible] in dollar terms, offsetting a 2 per cent decline in existing businesses, and allowed operating profits to emerge 5 per cent higher instead of 20 per cent lower. there was 3 per cent organic growth in the UK and Europe.

In the UK and Europe there [illegible] 3 per [illegible] organic growth in sales, stemming from the [illegible] commodity chemicals side.

All the rights [illegible] proceeds [illegible] in acquisitions. The biggest purchases were HVC [illegible] Kramer which extended [illegible] company's network in north-east US.

Net borrowings of £15.6m at the end of the year amounted to 25 per cent of shareholders funds.

● COMMENT

The theory that chemicals distributors can benefit during a recession as customers switch to buying smaller quantities from them, rather than large amounts from manufacturers, was borne out by these results, as far as the UK was concerned. But this resilience could not overcome a lethal combination of falling demand and price weakness in the US and a drop in speciality business in, for instance, swimming pool chemicals. Bearing in mind that £10.6m of these pre-tax profits were made in the first half, it is hard to see any advance this year. However, assuming better demand in the US and a more favourable dollar exchange rate, Ellis & Everard should repeat last year's performance. [illegible] the shares, [illegible] a prospective p/e of about 12, are likely to tread [illegible] until [illegible] optimistic picture emerges.

DIVIDENDS ANNOUNCED

	Current payment	Date [illegible] payment	Corres-ponding [illegible]	Total [illegible] year	[illegible] [illegible] year
[illegible] Security ....int	2.07	Dec [illegible]	1.8	-	4.9
[illegible] Motor [illegible] ....int	1	Oct 1	1	-	3.5
CRT ....fin	2☆	[illegible] 2	nil	2‡	nil
Dalepak Foods ....fin	[illegible]	[illegible] 1	2.985	[illegible]	4
Ellis & Everard ....fin	[illegible]	[illegible]	4.8	7.05	7
Tomkins ....fin	7.08☆	Oct [illegible]	6.55	[illegible]	9.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On [illegible] increased [illegible] rights [illegible] issues. §USM stock. [illegible]. ‡For 16 [illegible]

Huddling together to weather the property collapse

Andrew Taylor and **David Owen** on the background to the talks between Rosehaugh and Stanhope

THE COLLAPSE of the UK commercial property market is at the heart of the problems which led Rosehaugh and Stanhope Properties yesterday to announce they were [illegible] ing merging.

The [illegible] companies in the 1980s combined [illegible] build some [illegible] Britain's biggest and most exciting developments including the highly acclaimed Broadgate office development in the City of London.

More recently [illegible] relationship between Mr Godfrey Bradman, Rosehaugh's chief executive, and Mr Stuart Lipton, chief executive of Stanhope, appeared to have cooled.

Despite this Rosehaugh has been forced to seek a more permanent tie up with Stanhope to stabilise its precarious financial position.

A merger would still leave a highly-borrowed entity with interests largely, but not exclusively, concentrated in the central London office market.

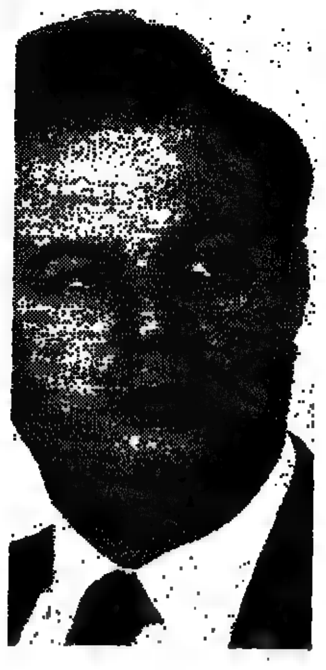
An accurate reading of both debt and equity levels will have to await the publication of both groups' annual results for the year to June 30 1991 in a few months' time. But some analysts are already suggesting that a combined vehicle could have gearing of more than 300 per cent.

Their thinking is based largely on the assumption that the groups' combined net asset value, which at the last year-end was more than £940m, split almost equally between the two, will have come down substantially during the year.

At the interim stage, the two companies unveiled provisions of £53.1m and £25.1m, which helped to push them to a combined pre-tax loss of £83.5m.

But the lion's share of the anticipated reduction is expected to come from a year-end revaluation of the Broadgate property owned by their Rosehaugh Stanhope Developments (RSD) joint venture. An overall re-adjustment of anything between £200m and £400m is foreseen based on a deterioration of central London office property values of between 10 per cent and 20 per cent.

"We would come out with a figure for the groups' combined equity/assets of between £500m and [illegible]," said one London-based analyst. "Ten per cent is your starting point interms of what central office property has fallen by, but you would say the reality is nearer 20 per cent."



Stuart Lipton

By contrast, the companies' aggregate debt level, including RSD, is thought to have shifted comparatively little from its June 1990 level of £1.38bn. [illegible] haugh is on record as saying that its interim [illegible] sheet borrowings totalled £350m, unchanged [illegible] months [illegible]. This [illegible] property sales of some £81m.

What movement in borrowings there has been, however, is believed to [illegible] been upwards. "I would pencil in a combined debt total of £1.65bn plus or minus £150m," said one analyst. Both groups also have comparatively small amounts of off-balance-sheet borrowings which would remain off-balance sheet in the event of a merger, he added.

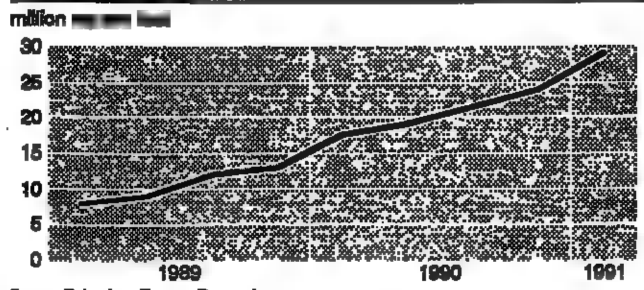
The [illegible] gearing level under[illegible] the [illegible]iculty the two companies may have in convincing the City that the combination of two weak balance sheets will result in greater financial strength.

Neither does [illegible] seem much hope that the UK commercial property [illegible] will recover during the next 12 months. The sharp fall in property values particularly in central London has made it next to impossible for companies to reduce bank debts by selling developments.

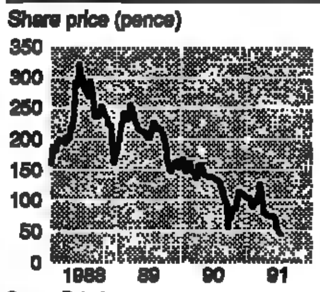
[illegible] Andrews

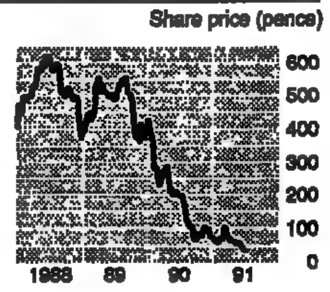
The joint venture Broadgate development in London

Central London ready-to-occupy offices



Source: Debenham Tewson Research





Source: Datastream

Conditions in the City of London, Europe's [illegible] valuable property market, [illegible] ing to commercial estate agents, are worse than during the lowest point of the property crash in the mid 1970s.

Godfrey Bradman

The present downturn, like that of 17 years [illegible] was preceded by a massively over-ambitious development programme which has left too many empty buildings chasing too few tenants and purchasers.

Developers, such as Rosehaugh and Stanhope, were encouraged in the mid 1980s by the easing of planning restrictions in the City of London, the prospect of a large increase in tenant demand with the deregulation of financial markets, the easy availability of credit to finance building and a sharp improvement in the British economy.

According [illegible] Bank [illegible] England the bank debt of property companies, expressed in February 1991 prices, rose from £5bn in 1980 to more than £40bn [illegible] last year. Even in 1974 property company debt [illegible] less than £15bn.

The over-supply has been compounded by the development of a huge new office complexes, such as Canary Wharf in London's docklands. City institutions which had been expected to occupy some of the new buildings [illegible] experienced a sharp reversal of fortunes as activity in [illegible] markets has dropped sharply. Instead of expanding they have retrenched.

Debenham Tewson & Chinnocks, estate agents, estimated that at the end of March there was 29m sq ft of office space, equivalent to 16 per cent of the total stock, available for letting in central London, including docklands.

It said that lettable space in the City during the 12 months to the end of March jumped by more than 2m sq ft to 12.6m sq ft. This compared with a little less than 4m sq ft at the lowest points in the previous property recessions in the early 1980s and mid 1970s.

Capital values of office blocks in the City have fallen by up to a half since 1989 while prime rents on average have fallen by more than a quarter from £65 a sq ft to less than £50 a sq ft. Rents as low as £10 a sq ft have been quoted in docklands.

Mr John Atkins, property analyst for stockbrokers UBS Phillips & Drew, said: "Many recent agreements have included rent-free periods of up to three years. This means that rent reductions in real terms are even greater than stated.

"Some landlords have also been prepared to take on the burden of of tenants' existing leases in a bid to persuade them to move to their building."

The fall in values has been matched by a sharp reduction in demand for commercial property by both domestic and overseas investors. UK investment in commercial property [illegible] by [illegible] £6bn from more than £14bn in 1989, the first fall in liquidity since 1983, according to Debenham Tewson.

[illegible] investors which accounted [illegible] half [illegible] central London property purchases between 1987 and 1990 have also been staying away, particularly Japanese and Swedish investors. These accounted for [illegible] quarters of all overseas property investments in the UK during the [illegible] three years, said the agents.

The result has been an increasing strain [illegible] the balance sheets of heavily borrowed companies [illegible] are unable [illegible] make sales to reduce their debts and improve cash flows.

Tyndall paves the way to resume dividend payments

By Philip Coggan, Personal Finance Editor

TYNDALL HOLDINGS, the banking and fund management group, said yesterday that it hoped to pay an interim dividend for the first six months of the current year.

It also reported pre-tax profits of £2.28m for the 16 months to April 30, after [illegible] change in year end, and said that prospects for the current year were encouraging.

Along [illegible] announcement, [illegible] revealed that [illegible] continuing with an unnamed [illegible] which made an approach in April "that may [illegible] not lead to an offer".

Tyndall has completed a substantial reorganisation following [illegible] write-down and [illegible] Australian subsidiary [illegible] the disposal [illegible] its US fund management operation.

[illegible] capital reconstruction has [illegible] the deficit on [illegible] profit [illegible] loss account, allowing [illegible] resume dividend payments this year. The company now has no debt.

The banking and trust division made trading profits [illegible] £4.79m in [illegible] 16-month period, of which just £837,000 came in the last four months. However, Mr Kevin Kenny, managing director, said that a reallocation of one-off [illegible] had affected the profitability [illegible] division in the [illegible] four months.

The investment management division, which manages six quoted and one unquoted offshore trusts and also mutual funds in Luxembourg and Bermuda, made trading profits of £1.3m over the 16 months, of which £301,000 came in the last four months of the period.

Trading profits on continuing activities were £2.63m, but after losses of £355,000 on discontinued activities, pre-tax profits for the 16 months were £2.28m. Tax took £613,000 and minority interests £241,000. There were net extraordinary debits of £13.2m, mostly relating to the Australian subsidiary. Earnings per share were 2.6p for [illegible] months.

Bula seeks I£11.7m as losses top I£2m

Bula Resources (Holdings), a USM-quoted oil and gas explorer, incurred a loss of I£2.34m (I£2.12m) pre-tax for 1990 and is launching an I£11.7m rights issue.

This compared with a loss of I£367,000 and was mainly the result of a write-off of deferred exploration costs amounting to I£2.18m following a change in accounting policy.

Pre-exceptional items, operating profits rose from I£250,000 to I£446,000. Turnover totalled I£2.42m (I£2.3m).

The Dublin-based company is seeking to raise up to I£11.7m via the issue of 480.79m shares on a 1-for-1 basis at 2½p per share.

If I£2.8m were to be raised from the rights issue directors intend to seek a full listing.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 16.07.91 / Final Prices for Trading on [illegible]

1/2 [illegible] period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.35	16.17	16.17
0100	18.11	16.17	16.17
0130	18.06	16.17	[illegible]
[illegible]	18.06	16.17	16.17
0230	18.06	16.17	16.17
0300	18.06	[illegible]	16.17
0330	18.06	16.17	[illegible]
0400	18.05	16.17	[illegible]
[illegible]	18.06	16.17	[illegible]
[illegible]	18.06	16.17	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	15.93	16.18	16.16
0630	19.54	16.10	16.10
0700	20.01	18.46	19.54
0730	20.01	18.38	[illegible]
0800	20.72	20.43	21.76
0830	21.17	23.11	[illegible]
0900	21.21	25.38	27.52
0930	23.25	27.24	29.80
1000	23.29	28.41	[illegible]
[illegible]	23.31	29.98	33.16
1100	23.33	33.19	37.10
1130	23.43	39.61	44.86
[illegible]	23.49	46.22	[illegible]
1230	23.46	52.26	68.52
1300	23.34	58.03	61.12
1330	21.69	[illegible]	[illegible]
1400	21.45	28.06	28.44
[illegible]	21.44	[illegible]	26.50
1500	21.65	24.68	[illegible]
1530	21.44	25.36	27.58
1600	21.67	[illegible]	[illegible]
1630	21.71	36.21	[illegible]
1700	[illegible]	57.12	62.51
1730	[illegible]	52.26	56.83
[illegible]	21.19	28.78	29.35
1830	21.16	21.70	23.02
1900	21.16	19.36	20.45
1930	[illegible]	[illegible]	20.33
2000	18.54	18.92	[illegible]
2030	18.96	18.66	19.73
2100	18.96	18.54	[illegible]
2130	20.75	[illegible]	[illegible]
2200	20.75	18.66	[illegible]
2230	20.75	[illegible]	19.59
2300	[illegible]	18.54	[illegible]
2330	18.95	18.46	[illegible]
2400	20.66	18.46	19.54

Prices [illegible] for [illegible] half-hour in [illegible] hour [illegible] are in [illegible] per megawatt-hour, rounded to [illegible] decimal places. To convert prices to pence per kilowatt-hour [illegible] one [illegible] £16.56/MWh [illegible] 1.656p/KWh. [illegible] for the determination [illegible] prices is made in [illegible] Pooling and Settlement Agreement which govern the operation of the [illegible] pool in England and Wales. The [illegible] Purchase Price [illegible] the basis of [illegible] majority of payments [illegible] to generators in respect of electricity through [illegible]. The provisional [illegible] Purchase Price is subject to revision or correction until final pool prices are determined [illegible] twenty-four days after the day [illegible] Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMMODITIES [illegible] AGRICULTURE

EC's radical farm reform plans under heavy fire

By David Buchan in Brussels

Brussels' radical farm reform plans came under heavy attack from different quarters yesterday, with many countries criticising the size of proposed price cuts, France and Germany calling for supply controls, and Britain complaining about discriminatory compensation.

Mr Ray MacSharry, the EC farm commissioner, asked ministers to hold their fire until they had properly studied his plan, which was approved by the commission last Tuesday but was only available yesterday to some ministers in their national languages.

Few did hold their fire. Mr John Gummer, the UK agriculture minister, gave the MacSharry plan some faint praise in that it called for "more realistic prices and a degree of alternative support (to farmers) which will not encourage production and create surpluses", and then went on to damn its detail. The commission's cost assumptions were over-optimistic, Mr Gummer said. Any businessman would be laughed out of his bank manager's office if he came up with a project that "based on everything going right, still cost Ecus 4.5bn a year more than his present over-blown budget", he added. The MacSharry plan was also biased in [illegible] the UK minister charged. First, against Europe itself, which should not become a backward looking farm region, propping up part-time inefficient farmers. Second, against northern Europe, whose staples had all figured in the reform, while southern products of wine, olive oil, sugar had all been left out. third, against specialist farmers who would be penalised under rules that could be manipulated by generalist farmers who would be able to slide their various activities under ceilings designed to shelter the small farmer from the full impact of reform.

Britain still backed the right sort of reform, Mr Gummer said. He added: "Some people say no reform would be better than one which destroys the agriculture of the most efficient, provides an open cheque that must increase costs year in, year out, pensions the part-timer, and leaves the consumer and taxpayer to bear the burden". The MacSharry plan would handicap Europe's most efficient farmers by making them - for internal EC reasons - take a bigger cut in farm support than their counterparts in the US and elsewhere might have to do, as the result of a Gatt accord.

Virtually all the silver linings in the MacSharry plan seemed to have a cloud, to one or other minister. Even Ireland, whose small agriculture holdings were patently in Mr MacSharry's mind when he drafted his plan, had a complaint. Mr Michael O'Kennedy, Ireland's agriculture minister, said cheaper grain might erode his country's advantage in raising livestock on grass.

However, Mr MacSharry [illegible] last night that reaction [illegible] his proposals had been "less negative than I expected." All delegates said that the proposals were a basis for negotiation.

At this early stage, most northern ministers seem more outspokenly hostile than their counterparts from the south. Italy, [illegible] and Spain all indicated that the proposed full compensation for smaller farm[illegible] plan broadly acceptable. However, the French and German ministers yesterday launched [illegible] critique of the commission plan, saying they would prefer direct controls on supply to the support price cuts suggested by Brussels. Mr MacSharry said this would be unworkable. Clearly the negotiation will take months, and given its revolutionary nature, said Mr Giovanni Goria, Italy's farm minis[illegible]r, could only be solved at [illegible]ads of government level.

Japanese to build coal plant in China

By Steven Butler in Tokyo

JAPANESE involvement in the development of China's [illegible] industry [illegible] to deepen following agreement by two leading Japanese trading [illegible] to build [illegible] 5m-tonnes-a-year coal-water mixture plant in China jointly with Huaneng [illegible] Corporation of China.

Output from the plant, which crushes coal and mixes it with water, [illegible] for export [illegible] Japanese [illegible] companies.

Idemitsu Kosan [illegible] Marubeni Corporation [illegible] to put up 60 [illegible] cent [illegible] building the plant in the port of Qinhuangdao, Hebei Province. The balance will [illegible] from Huaneng.

The plant will have an initial capacity of 500,000 tonnes [illegible] beginning in [illegible] and capacity is to be expanded eventually to 5m tonnes a year. The total cost of the plant is expected to reach about Y60bn ($438m).

The liquefied [illegible] mixture [illegible] easier to transport than raw coal, and it also produces less carbon dioxide during [illegible]tion.

The raw material [illegible] the plant [illegible] a low-sulphur, high caloric value coal from the Shenmu field in Shaanxi prov[illegible]. The development [illegible] field is supported by Japan's third yen loan programme for China.

Japan has a five-year [illegible] with China to import between 2.5m and 3m tonnes of steaming coal from China each year.

Most of this coal is currently coming from the Tatung coal field, although Japanese money is currently supporting expansion of the Gaoshan field, [illegible] Inner Mongolia and Shaanxi.

China is trying to increase output from the Gaoshan field from 7m tonnes to over 30m tonnes [illegible] 1997 and to 60m tonnes by the turn of the century.

The Japan International Cooper[illegible] Agency is conducting a feasibility study concerning a quality control centre at the mine, and the agency is to submit construction plans for the facility. China is simultaneously seeking a loan from the Export-Im[illegible]rt Bank of Japan to purchase some $400m [illegible] of equipment [illegible] mine.

China has long sought to capitalise on its [illegible] resources in the international markets. However, the rapid increase in China's own demand for coal, as well as transportation difficulties, have been factors which have hampered the development of the export industry.

Chuquicamata miners back at work

By Pablo Bachelet [illegible] Santiago

CHILEAN MININ[illegible] unions ended a two-week strike at Chuquicamata, the world's largest copper mine, by signing a two-year contract yesterday.

The focus in Chile is now turning to labour talks at other mines owned by Codelco, the country's state-owned mining group. About 10,000 miners [illegible] El Teniente, which is expected to produce 296,000 tonnes of copper this year compared with 655,000 tonnes at Chuquicamata, are scheduled for a strike vote at the end of the month. Ballots are expected at the Andina and [illegible] mines a month later.

"We [illegible] not very optimistic," said Mr [illegible] Shipley, head of the union negotiating team at El Teniente. The company has insisted on "maintaining salary increases at zero." Mr Shipley sent union members to watch Chuquicamata negotiations, where the company refused [illegible] give miners [illegible] real increase in wages but offered a special profit sharing bonus instead.

Miners, weakened by the strike, accepted the proposal. That included earmarking the 2 per cent of the company's profits – about $5m – for the workers. Each [illegible] will receive 65,000 pesos ($185) this week as an advance payment. Other new benefits are 25-day vacations instead of 20 and a special bonus of 325,000 pesos.

Alejandro Noemi, Codelco's president, said the [illegible] signalled a new era in relations in Chuquicamata and urged mine staff to make up for lost production.

Mr Shipley, who [illegible] that El Teniente [illegible] not Chuquicamata, says that "we will not swap a real increase in salaries for a bonus." El Teniente, affected by troublesome rock-bursts, has less profit to be distributed. The cost of producing a pound of copper is nearly 70 cents, compared with 50 at Chuqicamata.

The company is more confident about avoiding a strike at El Teniente. Mr Jorge Bannde, head of planning, said: "There are 38 union organisations at the mine. Labour is [illegible] divided along political lines." Chuqicamata has only two large unions.

Executives were preparing to estimate production losses at Chuqicamata. Mr Pia Vilavella, operations manager, said that an accurate figure will not emerge quickly. It takes about two weeks to produce a copper cathode, the main production item from Chuqicamata, which means at least another 12 to 15 days will elapse before cathodes start coming out of the refinery, even if the mine operates at full capacity by the end of the week.

Coffee growers taste bitter times

Victoria Griffith on how hardship in Brazil entails a fall in quality

When President Fernando Collor de Mello of Brazil meets President [illegible] Gaviria of Colombia this [illegible] in Mexico, the establishment [illegible] credit lines for the retention of coffee stocks will probably be at the top of the agenda.

The Brazilian coffee sector is pushing the government to set up financing for coffee retention in the hope of raising prices. The possibility of such [illegible] move, which the sector hopes will be financed by [illegible] World Bank, [illegible] the [illegible] topic of discussion between representatives [illegible] the coffee sectors of both countries two weeks ago in Bogota.

The Brazilian coffee industry, which believes the chances of a return to an international accord are slim, is pinning its hopes on a Latin American agreement to [illegible] the supply of arabica.

With the formation of the Brazilian Coffee Committee (CBC) in Minas Gerais last month, the coffee industry here has gained political muscle. The group was formed by the National Coffee Council (CNC), the Brazilian Association of Roasters (ABIC), the Brazilian Association [illegible] Instant Coffee (ABICS), and the Brazilian Federation of Coffee Exporters (FEBEC).

Earlier this month, the CBC lodged its grievances with the government in [illegible] document entitled "Carta de Varginha". The document demanded the immediate re-establishment [illegible] 12-month export registration at fixed prices.

"We can't register [illegible] prices beyond [illegible]," complained Oswaldo Aranha [illegible], president of Febec. "Our competitors in other countries, however, have that right. So Brazilian exporters are at more risk from changing prices."

The letter also called for the government to pay its debts to coffee exporters and the definition of an agricultural policy for coffee.

[illegible] LINEU [illegible] Lima, a medium-sized [illegible] grower, used to "wash" the coffee [illegible] he grows [illegible] his Mococa plantation to improve their taste. Times are hard this year for Brazil's coffee growers, and Mr Costa Lima has decided to pass them straight through to the drying process instead.

"Prices are just too low," he explained. As [illegible] result, Mr [illegible] Lima admits that [illegible] quality of his coffee will suffer. "I could produce better coffee if I had [illegible] financial resources." With financial resources tighter than ever, market players in this country believe the quality of [illegible] coffee is suffering. "A lack of funds is causing the [illegible] of Brazilian coffee to deteriorate," said Mr Orlando Correa, president of the Coffee Trade Centre in Rio de Janeiro.

Washing, a process [illegible] removes the outer skin of the beans before drying, is widely recognised as a way to improve coffee's quality. [illegible] in Colombia and Central America, washing is rarely practised in Brazil. When Brazil lost its lead in the world coffee markets to Colombia last year, many Brazilian producers realised that poor quality was partly responsible for the loss of market share. "There is a growing realisation among Brazilian growers that it is essential to improve the quality of our coffee," said Mr Costa Lima. Ironically, few of [illegible] coffee farmers have the financial resources to do much about it. "Our coffee is not good quality compared to Colombia," said Mr Angelo Lana Neto, another grower in the Mococa region. "But we have very little money to invest." Mr Costa Lima puts much of the blame on the government's exchange rate policy, which supports the cruzeiro [illegible] an artificially high level. "The overvalued cruzeiro has done Brazilian coffee farm[illegible] much more harm than international price levels," he said.

Exporters [illegible] not agree. "There is no question that the single most harmful factor to the coffee sector is low international prices," [illegible] Mr Correa. Tight credit has exacerbated the situation. Agricultural credit has been limited in Brazil ever since [illegible] Fernando Collor de Mello announced his inflation-fighting economic plan last [illegible]. The announcement of a $3bn credit package last week has done little to [illegible]ate the problem, since the [illegible] majority of funds are earmarked for soyabeans, maize and other crops. Mr [illegible] Lima, like many [illegible] coffee producers, is unloading lower-quality beans now to raise money to [illegible] their harvest during the next few months. Coffee bean quality on Mr Costa Lima's plantation is suffering at stages prior to washing.

"We really should pick [illegible] beans three separate times to ensure they [illegible] gathered [illegible] their ripe "cherry" stage," he said. "But this year I will col[illegible] all the beans [illegible] once. We'll have some unripe beans mixed in, but there's not much I can [illegible] it." Mr Costa Lima complained that he hasn't been able to afford all of the fertilizers and soil correctors he needs to keep his farm in top shape.

Despite all his difficulties, Mr Costa Lima's plantation has suffered far less than others. He is respected by both exporters and growers as a quality producer. The plants on his farm are still a luscious green, and Costa Lima is clearing out land to make room for new coffee bushes. Many of the fields bordering Mr Costa Lima's plantation [illegible] brown, uncared for bushes. Their sick appearance, according to Mr Costa Lima, is probably due to a lack of fertilizers.

Deteriorating [illegible] this year will probably be [illegible]nied by a drop in harvest size. According to the Mococa coffee growers' union, the area produces 40 per cent less coffee than it did [illegible] few years ago. A consensus appears to be emerging that this year's production will be slightly less than in 1990. The trouble is that no one really knows how big last year's harvest was. Producers [illegible] exporters alike believe that 1990'[illegible] of [illegible] 22m and 23m bags was an underestimate. Internal consumption of approximately eight million bags and [illegible] of about three million bags [illegible] year would have left about 18m bags available for export. According to exporters, expo[illegible] between July, 1990 and June this year will slightly exceed that figure. "If last year's numbers were correct," said Mr Oswaldo de Aranha Neto, president of the Federation of Brazilian Coffee Exporters [illegible], "there wouldn't be any coffee left on the market. And there is a lot."

[illegible] Rio de Janeiro-based exporter is working with crop estimates of 25.7m bags last year and 24.2m bags this year. Brazil's coffee farmers are using several innovative new [illegible] to [illegible] the latest [illegible]. To improve productivity in future years, for instance, many growers are replanting [illegible] bushes much [illegible] together [illegible] they [illegible] in the past. With international coffee prices still low, however, Bra[illegible] plantations are unlikely [illegible] see much improvement, either in quality or productivity, for some time.

New expense and no cuts in surpluses are seen by report

By our agriculture [illegible]

THE EUROPEAN Commission's proposals [illegible] reform the Common Agricultural Policy may involve [illegible] community in [illegible] expensive new form of support while leading to [illegible] real reduction in surplus production, according to Agra Europe, the independent intelligence agency.

In its latest weekly report Agra Europe says [illegible] MacSharry proposals "are undoubtedly radical and repre[illegible]sent the [illegible] ambitious plan to deal with the massive inefficiencies of the CAP ever [illegible] emerge from the Commission". However, they do not [illegible] far enough, and it seems inevitable that they will be watered down by the farm ministers.

Agra Europe believes that the problems will centre on the cereals sector. It says that the proposals are unlikely to do more than to stabilise output at about 153m tonnes from the probable [illegible], if nothing were done, of 170m tonnes during the next five years. Thus the EC will still [illegible] an exportable [illegible] surplus [illegible] 30m to 35m tonnes. That will happen partly because farmers of average efficiency and above will produce more to compensate for an [illegible] loss of income; and because the compulsory set aside will not [illegible] as much land out of production as the commission believes.

Study urges meat diet rethink

SWELLING [illegible] livestock production threatens the environment by promoting over-grazing, deforestation, water pollution and methane emissions that contribute to global warming, according to a study by Worldwatch Institute, the environmental thinktank, Reuter reports from Washington.

Meat production [illegible] curtailed by cutting consumption in richer nations and ending government subsidies, which [illegible] last year. "Reversing these trends will not be easy: It will call for [illegible] rethinking of meat's role in the diet. If livestock are to live in balance with the environment again, First World [illegible]sumers will have to [illegible] less meat, while Third World citizens will need to keep their [illegible] consumption low," the report said.

World meat production has almost quadrupled since 1950. In nations such [illegible] and France, animals produce more waste than the land can [illegible]. Over-grazing has affected 73 per cent of the world's rangelands and pasture expansion is the single leading cause of Latin American deforestation.

US livestock producers [illegible] the report, saying it was based on gross generalisations and did not reflect advances made in domestic production.

WORLD COMMODITIES PRICES

MARKET REPORT

[illegible] prices [illegible] sharply [illegible] the LME yesterday [illegible] the nearby tightness [illegible] supplies [illegible] further. The premium [illegible] metal over three-month was [illegible] a tonne [illegible] compared with $50 [illegible] Friday. Two [illegible] ago the LME [illegible] traders' cards [illegible] scrutiny [illegible] squeeze [illegible] but [illegible] LME [illegible] no further action. [illegible] said the market [illegible] shrugging [illegible] the [illegible] LME [illegible] there [illegible] ample [illegible] in warehouses off-warrant. Fundamentals [illegible] bearish, with [illegible] from [illegible] likely to [illegible] during [illegible] summer. Aluminium prices were easier. Traders said the next few weeks are expected [illegible] find [illegible] range-bound [illegible] quiet. Copper [illegible] in [illegible] following [illegible] Chuquicamata. [illegible] prices [illegible] down in [illegible] and [illegible] early in [illegible] York in [illegible] reaction [illegible] the [illegible] week on unrealised [illegible] of a [illegible] in Brazil at the [illegible] bullion market gold [illegible] steady in quiet trading. The [illegible] is expected [illegible] remain quiet for the [illegible] days, with operators reluctant [illegible] fresh positions [illegible] G-7 meeting [illegible] in progress.

Compiled from [illegible]

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	[illegible]	[illegible]
Brent Blend (dated)	[illegible]	-.125
Brent [illegible] (Aug)	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$242-244	-1
Gas Oil	$188-189	-4
Heavy Fuel Oil	$70-72	+2
Naphtha	$186-188	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.90	[illegible]
Silver (per troy oz)♣	439.0c	+0.50
Platinum (per troy oz)	$377.75	+3.4
Palladium (per troy oz)	$95.25	+0.60
Aluminium (free market)	$1645.0	
Copper (US Producer)	102.5	
Lead (US Producer)	50c	
Nickel (free market)	N/A	
Tin (Kuala Lumpur market)	15.46r	+0.07
Tin (New York)	283c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	110.10p	+1.06*
Sheep (dead weight)†	[illegible]	+1.51*
Pigs (live weight)†	65.16p	-2.44*
London daily sugar (raw)	$279x	-6
London daily sugar (white)	$320x	-2
Tate and Lyle export price	£281	-6
Barley (English feed)	110z	
Maize (US No. 3 yellow)	£181.5	-0.5
Wheat (US Dark Northern)	-	
Rubber (Aug)♥	[illegible]	+0.50
Rubber (Sep)♥	54.50p	+0.50
Rubber (KL RSS No 1 Aug)	230.5m	-1.0
Coconut oil [illegible]§	$485y	
Palm Oil [illegible]	$340q	[illegible]
Copra (Philippines)§	$320.0z	[illegible]
Soyabeans (US)	£154	
[illegible] "A" index	80.70c	-0.20
Wooltops (64s Super)	387p	

£ a [illegible] otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Dec [illegible] u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from [illegible] ♥London physical [illegible] §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			[illegible]
	Close	Previous	High/Low
Jul	590	590	590 589
[illegible]	[illegible]	[illegible]	623 611
Dec	[illegible]	651	662 [illegible]
Mar	690	698	699 689
May	[illegible]	[illegible]	720 711
Jul	[illegible]	[illegible]	739 732
[illegible]	764	750	[illegible]

[illegible] (6700) [illegible] ICCO indicator [illegible] tonne). Daily [illegible] Jul [illegible] 778.12 [illegible] day average [illegible] Jul 15 [illegible] (760.96)

COFFEE – London FOX			[illegible]
	[illegible]	Previous	High/Low
Jul	591	544	544 [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Jan	588	600	600 587
[illegible]	603	613	612 [illegible]

[illegible] lots [illegible] 5 [illegible]
ICO indicator prices (US cents per pound) for Jul.12 : Comp. daily 65.22 (64.59). 15 day average 65.30 (65.35)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	109.9	[illegible]	109.6 [illegible]

[illegible] 116 [illegible] of 40 [illegible]

SOYAMEAL – London FOX			[illegible]
	[illegible]	[illegible]	High/Low
Oct	[illegible]		127.00 127.00
Dec	130.00	130.50	130.00 130.00

Turnover 17 (18) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	[illegible]	[illegible]	[illegible]
Jul	1468	1480	[illegible]
[illegible]	1455	1475	1455 1445
Oct	[illegible]	1550	1545 1525
Jan	[illegible]	1550	1530
BFI	1542	1561	

Turnover 163 (484)

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	[illegible]	[illegible]	234.00 230.00
[illegible]	[illegible]	208.00	207.20 204.00
Dec	[illegible]	200.00	193.00
Mar	191.00	[illegible]	[illegible] 190.00
[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	200.00	[illegible]
Oct	200.00	202.00	201.00 200.00
White	Close	Previous	High/Low
Aug	316.9	[illegible]	319.0 [illegible]
Oct	276.9	[illegible]	279.1 [illegible]
Dec	268.5	270.0	[illegible]
Mar	269.0	272.0	[illegible]
May	271.0	[illegible]	273.0 272.4
Aug	275.0	276.0	274.5
Oct	261.0		260.5

Turnover: Raw 468 (428) lots of 50 tonnes. White 3164 (1450)
Paris- White (FFr per tonne): Aug 1866 Oct 1692

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Aug	19.57	19.86	19.60 19.56
Sep	19.54	19.81	19.76 19.54
Oct	[illegible]	[illegible]	19.75 19.54
Nov	[illegible]	[illegible]	19.70 19.55
Dec	[illegible]	[illegible]	[illegible]
Jan	19.35	19.40	
IPE Index	19.60	19.33	

Turnover 17979 (14104)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Aug	[illegible]	187.50	187.00 184.00
Sep	185.00	187.50	186.75 185.00
Oct	186.75	189.25	189.00 186.50
Nov	188.50	190.75	189.50 187.25
Dec	189.00	191.00	189.75 188.75
Jan	185.50	185.50	188.00 185.00
Mar	175.50	176.00	176.00 175.00
Apr	172.00		175.00 172.00

Turnover 18646 (12060) lots of 100 tonnes

TEA
There was improved and more general demand, reports the Tea Brokers' Association. The smaller selection of bright liquoring teas showed some irregularity but little change on balance. Medium descriptions met good competition at fully firm to dearer rates. Central Africans proved a strong feature particularly coloury sorts which often advanced by 5p to 8p per kilo. Ceylons sold readily with selected brighter teas dearer but plainer kinds tending easier. Offshore teas attracted fair demand. Quotations: quality 150p/kg (155p), medium 98p/kg (96p), low medium 75p/kg (72p)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
[illegible]	111.75		[illegible] 111.75
[illegible]	[illegible]	115.25	[illegible] 115.15
Jan	118.80	118.95	
[illegible]	[illegible]	[illegible]	High/Low
Sep	109.65	109.80	109.70
Nov	[illegible]	113.50	[illegible]

Turnover: Wheat 33 (248), Barley 19 (8). Turnover lots of 100 tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	[illegible]	[illegible]	[illegible]
Jul	92.0		91.0
Aug	91.0		91.0
Sep	[illegible]	95.0	94.0
Oct	96.0	95.0	[illegible]
Nov	97.0	98.0	[illegible]
Feb	100.0	99.5	99.0

Turnover:106 (77) lots of 3,250 kg

[illegible] – London FOX					
	Close	Prev.	High	Low	Vol
Indx	138.98	[illegible]			
Jul	139.20	[illegible]	139.70	139.20	[illegible]
Sep	140.00	[illegible]	140.30	140.00	[illegible]
Dec	140.90	141.30	141.30	[illegible]	[illegible]

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 37,401 lots	
Cash	[illegible]	1307-8	1304	1303-4		
3 months	[illegible]	1338-9	[illegible]	1335-6	1337-9	97,799lots
Copper, Grade A (£ per tonne)					Total daily [illegible]	
Cash	13[illegible]	1336-8	1336/1332	[illegible]		
3 months	[illegible]	1349-50	[illegible]	[illegible]	1345-6.5	130,761lots
Lead (£ per [illegible])					Total daily [illegible]	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	339-41	341/337	341-1.5	337-8	32,525lots
Nickel ($ per tonne)					Total [illegible] turnover 4,685 [illegible]	
Cash	8510-20	8700-25	8530	[illegible]		
3 months	[illegible]	8650-75	[illegible]	8525-30	8475-500	12,578lots
Tin ($ per tonne)					[illegible] daily [illegible]	
Cash	[illegible]	[illegible]		5625-30		
3 months	[illegible]	[illegible]	[illegible]	5720-5	5735-40	7,225lots
Zinc, Special High Grade ($ per tonne)					[illegible] turnover [illegible]	
Cash	1054-5	1060-2	[illegible]	[illegible]		
3 months	1066-9	1170-2	[illegible]	[illegible]	1071-2	28,566lots

LME Closing £/$ rate:
SPOT: 1.6520 3 months: 1.6322 6 months: 1.6172 9 [illegible]

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	368.65-369.15	
Opening	369.20-369.60	
Morning fix	[illegible]	224.554
Afternoon fix	367.80	222.909
Day's high	[illegible]	
Day's low	367.30-367.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
[illegible]	5.46	6 months	5.36
[illegible] months	[illegible]	12 months	5.33
3 months	5.41		

Silver fix	p/fine oz	US cts equiv
Spot	267.10	439.00
3 months	274.35	445.45
[illegible]	[illegible]	452.80
12 months	[illegible]	466.70

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	[illegible]	[illegible]
Maple leaf	376.00-377.00	[illegible]
New Sovereign	88.50-89.50	[illegible]

TRADED OPTIONS				
Coffee	Sep	Nov	[illegible]	[illegible]
500	55	78	2	[illegible]
550	18	42	15	19
600	3	20	60	47
Cocoa	Sep	Dec	Sep	[illegible]
625	30		12	
650	16	56	23	23
675	9	42	41-	34
Brent Crude	Sep	Oct	Sep	Oct
1900				
1950	55		38	
2000	32	32		

[illegible] York

GOLD 100 troy oz.; $/troy oz.				
	[illegible]	[illegible]	[illegible]	
Jul	369.0	368.6	369.0	369.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	370.8	[illegible]	370.8	[illegible]
Oct	373.5	[illegible]	[illegible]	[illegible]
Dec	377.3	376.8	378.0	375.8
Feb	380.4	380.0	380.4	379.6

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	381.9	380.8	382.0	380.5
[illegible]	386.0	385.1	386.0	385.3
Apr	390.0	389.1	390.0	390.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	[illegible]	High/Low	
Jul	435.0	436.5	435.5	[illegible]
[illegible]	435.5	437.2	435.5	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	447.5	447.9	446.5	[illegible]
Mar	455.5	458.2	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	[illegible]	High/Low	
Jul	98.60	[illegible]	98.50	[illegible]
Sep	98.10	[illegible]	98.50	[illegible]
[illegible]	[illegible]	97.50	97.50	[illegible]
Mar	96.30	[illegible]	96.30	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
[illegible]	21.64	[illegible]	21.82	21.61
[illegible]	[illegible]	[illegible]	21.66	[illegible]
Oct	[illegible]	[illegible]	21.50	[illegible]
Nov	[illegible]	21.27	21.35	[illegible]
Jan	20.[illegible]	20.95	21.03	20.90
Feb	20.[illegible]	20.80		20.75
Mar	20.72	20.67	[illegible]	20.65
[illegible]	[illegible]	20.55	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	[illegible]	High/Low	
Aug	5925	6001	5960	5930
[illegible]	6035	6087	[illegible]	[illegible]
[illegible]	6205	[illegible]	6245	6215
Dec	[illegible]	6357	6335	6300
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	5700	5720	5710	5710

COCOA 10 tonnes;$/tonnes				
	[illegible]	[illegible]	[illegible]	
[illegible]	964	954	978	955
Dec	[illegible]	1003	1028	1004
Mar	[illegible]	1045	1063	1051
[illegible]	1088	1074	1091	1082
Jul	1110	1104	[illegible]	1107
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
Jul	82.45	84.75	83.75	82.45
Sep	83.15	85.20	84.70	83.05
Dec	[illegible]	[illegible]	88.10	86.55
Mar	[illegible]	[illegible]	91.25	90.05
May	92.30	94.30	92.80	92.80
Jul	95.25	97.00	0	0
[illegible]	97.00	99.15	0	0
[illegible]	[illegible]	[illegible]	100.80	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
Oct	9.15	9.24	[illegible]	[illegible]
Mar	8.75	8.80	[illegible]	[illegible]
[illegible]	[illegible]	8.83	8.82	8.78
Jul	6.83	8.85	0	0

[illegible] 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	68.85	70.70	69.85	68.60
Dec	68.50	71.25	68.90	68.22
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	71.15	67.68	[illegible]	71.15
Oct	66.80	0	[illegible]	69.20
[illegible]	[illegible]	[illegible]	67.80	67.65

ORANGE JUICE 15,000 lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	119.75	[illegible]	118.00
Mar	[illegible]	119.00	119.25	[illegible]
Jul	[illegible]	119.60	0	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)			
July 15	July 12	mnth ago	yr ago
1725.0	1729.7	1759.8	1828.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	July [illegible]	July 11	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	130.95	133.28
[illegible]	[illegible]	122.15	127.78	132.22

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	[illegible]	Previous	High/Low	
[illegible]	533/0	527/0	534/0	[illegible]
[illegible]	[illegible]	[illegible]	532/0	[illegible]
[illegible]	[illegible]	[illegible]	533/0	529/0
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	546/2	545/2
[illegible]	556/2	[illegible]	558/2	555/4
[illegible]	[illegible]	559/0	[illegible]	[illegible]
[illegible]	[illegible]	580/2	[illegible]	570/4

[illegible] OIL 60,000 lbs; cents/lb				
	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	[illegible]	18.60	18.55
[illegible]	18.60	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	18.96	[illegible]
Dec	[illegible]	[illegible]	19.35	[illegible]
[illegible]	[illegible]	[illegible]	19.45	[illegible]
Mar	[illegible]	[illegible]	19.80	[illegible]
May	[illegible]	[illegible]	20.10	[illegible]
Jul	20.30	19.95	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton				
	[illegible]	Previous	High/Low	
Jul	162.9	162.1	163.8	[illegible]
Aug	164.1	162.8	164.7	[illegible]
[illegible]	[illegible]	163.1	165.0	[illegible]
[illegible]	[illegible]	162.9	165.0	[illegible]
[illegible]	165.4	163.7	166.0	[illegible]
Jul	171.0	169.0	0	0

[illegible] 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	236/4	232/6	238/4	235/0
[illegible]	[illegible]	224/2	228/4	226/0
[illegible]	[illegible]	227/0	231/4	228/6
Mar	238/0	235/0	239/4	236/4
May	244/0	241/0	246/0	243/0
Jul	248/0	[illegible]	[illegible]	[illegible]
Sep	241/0	[illegible]	[illegible]	[illegible]
[illegible]	242/0	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	269/6	269/0	273/0	269/6
Sep	274/4	[illegible]	276/4	273/4
Dec	284/4	[illegible]	286/4	285/4
Mar	290/6	291/2	293/4	291/4
May	290/0	289/4	292/0	290/0
Jul	284/4	283/4	285/0	284/4

LIVE CATTLE 40,000 lbs; [illegible]				
	[illegible]	[illegible]	High/Low	
Aug	[illegible]	73.95	[illegible]	73.75
Oct	75.55	75.40	75.65	[illegible]
Dec	75.90	75.85	76.05	[illegible]
Feb	75.15	[illegible]	75.25	[illegible]
Apr	75.60	[illegible]	75.77	[illegible]

LIVE HOGS 30,000 lb; cents/lbs				
	[illegible]	[illegible]	High/Low	
[illegible]	56.40	[illegible]	56.20	55.50
Aug	[illegible]	50.07	50.50	[illegible]
Oct	[illegible]	43.42	43.67	[illegible]
Dec	[illegible]	[illegible]	43.80	[illegible]
Feb	43.60	43.40	43.72	43.60
Apr	41.90	41.70	42.10	41.80
Jun	46.00	46.00	46.10	46.00

PORK BELLIES 40,000 lbs; cents/lb				
	[illegible]	Previous	High/Low	
Jul	44.42	44.95	45.45	[illegible]
Aug	[illegible]	[illegible]	42.25	40.80
Feb	[illegible]	[illegible]	48.15	47.70
[illegible]	48.40	[illegible]	[illegible]	47.40

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3i defines investment capital as permanent and long-term capital in the form of share and loan investment in unquoted companies

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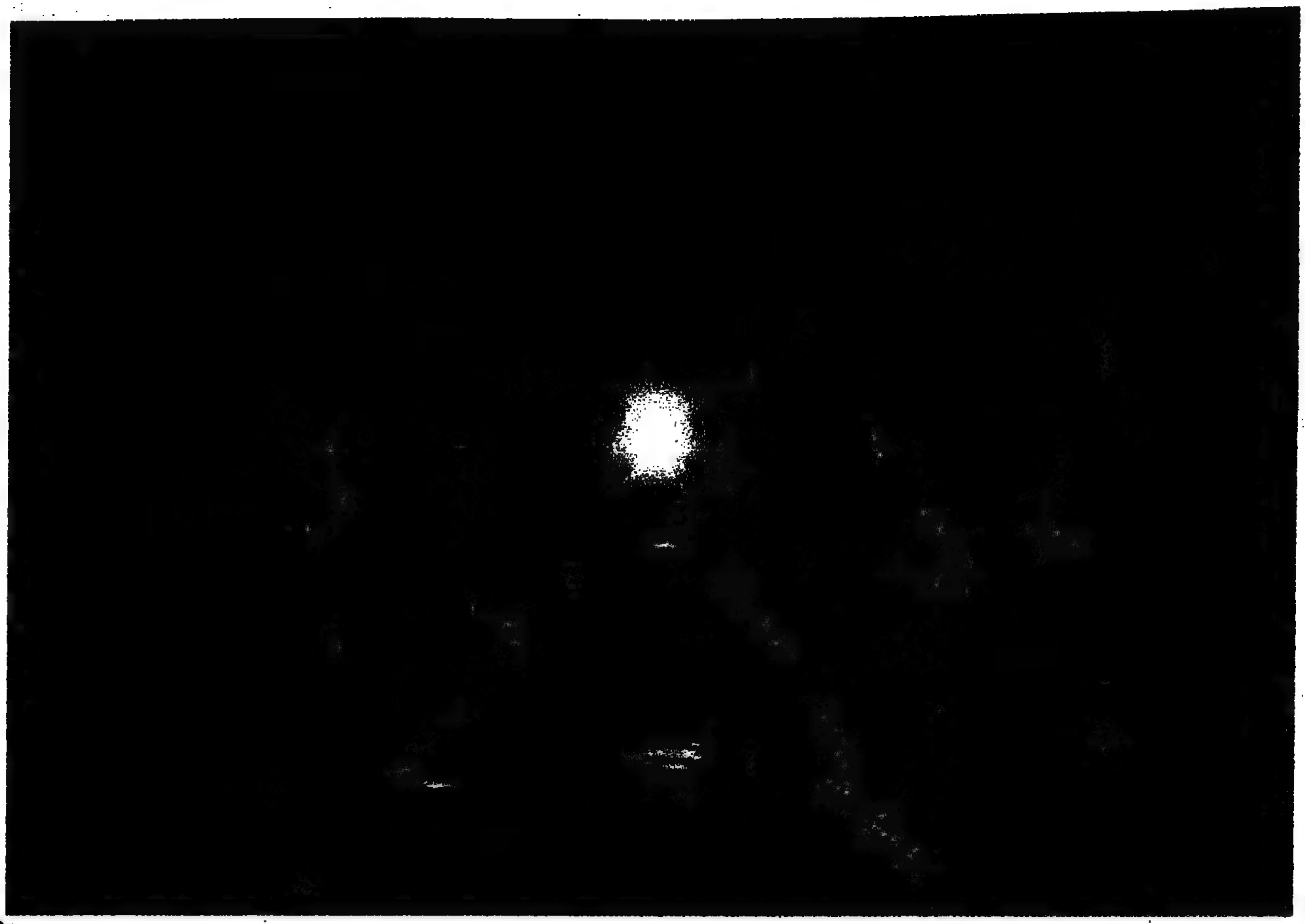


UNFORTUNATELY THIS IS THE TIME WHEN MANY VENTURE CAPITALISTS PULL OUT.

It is [redacted] sad fact but true that a short-term view can prove short-sighted and can leave everyone short-changed. Just when a little faith and [redacted] steady hand are all you require, defeat is snatched from the jaws of victory. The reason [redacted]'s business is investment capital, rather than venture capital, is that we take a long-term view. Unfortunately, not everyone is willing or able to do this.

Whether you want to buy the company you work for, buy into another company or set up your own business, success is rarely achieved overnight. Since [redacted] was established over 45 years ago we have always taken [redacted] long-term view of our investments. We know full well that long-term commitment gives your business its greatest chance of success.

At [redacted] we are able to take this long-term view because of the spread and scale of our investments and our understanding of business. It has proved very successful for many people and as one of the world's leading investment capital companies we are more than happy to take the same view today. If you'd like to know more about what a relationship with [redacted] could do for you in the long-term, just contact your local office.

3i Group plc and 3i plc [redacted] regulated [redacted] the conduct of investment business by SIB. 3i Group plc's overseas subsidiaries and [redacted] authorised persons subject [redacted] the rules and regulations made under the Financial Services [redacted] 1986 for the protection [redacted] investors.

LONDON STOCK EXCHANGE

Shares advance but volume still thin

By Terry Byland, UK Stock Market Editor

THE LONDON stock market yesterday made a determined advance toward the top of its current trading range, encouraged by more optimistic views on the UK economy from some analysts in the City of London. The market achieved its best daily gain since the middle of March, although trading volumes were unimpressive.

Account [illegible]		
*First Dealings:		
Jul 1	Jul 15	Jul 29
Option Declarations:		
Jul 11	Jul 25	Aug 8
Last Dealings:		
Jul 12	[illegible]	Aug 9
Account Day:		
Jul 22	[illegible]	Aug 19

[illegible] dealings may take place from [illegible] business days earlier.

Investors recovered from their mild disappointment [illegible] Friday's reduction of only half a point in base rates. With sterling still steady yesterday, confidence in the likelihood of further cuts in base rates was restored; analysts also took a more sanguine view of the data on domestic inflation for June, also published on Friday.

Among the more optimistic [illegible] the [illegible] economy, Mr Gavyn Davies of Goldman Sachs, the US investment bank, said that there [illegible] evidence that [illegible] recession may be slackening. Goldman continues [illegible] predict that base rates could be down to 10 per cent by the year-end.

However, Mr Richard Kersley [illegible] Barclays de Zoete Wedd believes the market will have to wait a while for the next cut in base [illegible]. The strategy team at Hoare Govett said that few economists had expected any [illegible] from the recession to show through in force until the fourth quarter of the year "and, in our view, that remains in prospect".

The FT-SE Index rose steadily throughout the session, closing near the best of the day with a net gain of 35.1 points at 2,532.5. Yesterday was the first trading day of the new equity account and [illegible] has focused [illegible] whether the Footsie Index will challenge the 2,550 mark, the top of the market's trading range for the past three months.

Equities were led forward by gains am[illegible] the banking, pharm[illegible]l and store issues. Banks showed additional strength following the news of the merger of Manufacturers Hanover Trust and Chemical Banking to form the second largest bank in the US, [illegible] move seen as strengthening the US banking system.

Pharmaceutical stocks were helped by hints that Hanson, rather than bid for ICI, may [illegible] move into [illegible] proprietary drugs industry. Store groups would be the first to benefit from any lifting of recessionary [illegible] in the UK.

However, market volume was low yesterday, with the Seaq network reporting a total of only 340.8m shares traded, compared with 445.3m on Friday. [illegible]or were there many signs of any of the large brokerage deals which featured in the market during [illegible] week.

One leading broker, who was active on the buy tack last week, admitted yesterday that "we have been seeing some scrappy selling".

As the market closed, there was a sudden revival of the well-worn stories that a large takeover bid was in the offing. Dealers sounded unconvinced, however, and admitted [illegible] they were hard put to explain the new-found strength of the UK equity market.

The low level of trading volume confirmed that the [illegible] institutions were mostly on the sidelines yesterday.

While the recovery in the market from Footsie 2,450 has been rapid, equity strategists now regard the 2,550 mark as an even more significant test than on previous occasions this [illegible]. Only if equities can break out convincingly above that figure will some strategists be convinced that [illegible] mood has changed.

FINANCIAL TIMES [illegible] INDICES

	July 15	July 12	July 11	July 10	July 9	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.80	[illegible]	84.82	84.86	84.94	79.73	85.88 (19/2)	82.17 (2/1)	127.4 [illegible]	[illegible] (3/1/75)
Fixed Interest	[illegible]	[illegible]	93.83	[illegible]	93.57	87.81	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1951.1	[illegible]	1928.4	[illegible]	1905.4	1900.9	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	218.4	[illegible]	222.8 (11/7)	127.0 [illegible]	[illegible] (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2532.5	2497.4	2510.5	[illegible]	2487.9	2406.5	2545.3 (5/4)	[illegible]	[illegible]	986.9 (23/7/84)
FT-SE Eurotrack 200	1160.07	[illegible]	1155.98	1154.87	1147.93	-	1192.11 [illegible]	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.85	4.91	4.89	4.91	4.94	4.88				
●Earning Yld %(full)	8.52	8.62	8.59	8.62	8.68	10.78				
●P/E Ratio(Net)(☆)	[illegible]	14.26	[illegible]	[illegible]	14.18	11.25				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28,437				
Equity Turnover(£m)†	-	[illegible]	[illegible]	1019.84	809.50	679.11				
Equity Bargains†	-	[illegible]	[illegible]	27,415	25,815	[illegible]				
Shares Traded (ml)†	-	[illegible]	434.3	457.0	365.3	[illegible]				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆[illegible] 13.82

Ordinary Share Index, Hourly changes Day's High [illegible] Day's Low 1926.8

[illegible]	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1926.8	1938.0	1939.3	1943.3	1943.2	1943.5	1946.2	1944.1	1947.4

FT-SE 100, Hourly changes Day's High [illegible] Day's Low 2500.0

Open	9 am	[illegible] am	11 am	12 pm	1 pm	2 pm	3 pm	[illegible]
2500.0	2511.3	2514.6	2519.4	2519.0	2519.0	2522.6	2521.7	[illegible]

FT-SE Eurotrack 200, Hourly changes Day's High 1161.01 Day's Low 1157.17

[illegible]	10 am	11 am	12 pm	1 pm	2 pm	3 pm
[illegible]	1157.66	1158.46	1158.63	1158.87	1160.78	1160.44

GILT EDGED ACTIVITY

Indices*	July [illegible]	July 11
Gilt Edged Bargains	103.3	[illegible]
5–Day average	90.4	[illegible]

*SE Activity 1974. †Excluding [illegible] business [illegible] turnover.

London report and latest Share Index: Tel. 0898 [illegible]

Wellcome rise on ICI hope

Wellcome rose to an 18-month peak, leading the pharmaceutical sector higher amid renewed speculation that ICI was in talks with the company over merging their drug businesses. Sentiment was also helped by hopes that [illegible] meeting of the US Food and Drug Administration (FDA) [illegible] of the week would be favourable for Wellcome, and by analysts' [illegible] upgradings of the sector on the strength of the dollar.

Suggestions of [illegible] Wellcome-ICI joint venture are not new. It is a possible defence against [illegible] feared bid from ICI's 2.8 per cent stakeholder, Hanson.

The FDA is considering the [illegible]oval of DDI, [illegible] potential [illegible] that might rival [illegible] Retrovir. However, recent studies show some dangerous side effects from DDI and analysts consider it may be approved for use only in combination [illegible] other drugs such [illegible]. Wellcome rose 26 to 721p in above average volume.

ICI spent most of the session in negative territory after press [illegible] that Hanson [illegible] unlikely to make [illegible] full bid for the company. The market's late run eventually helped ICI to a net gain of just [illegible] at 1286p in quiet trading.

Banks in demand

Bank shares were in the vanguard of the market's advance as dealers saw the sector as having a great potential for [illegible]uick recovery.

Many specialists, among them Mr Tim Clarke at Panmure Gordon, said bank share prices now "discounted the bulk of the bad news". Mr Robert Law at Shearson Lehman said the market "accepted that the forthcoming interims would [illegible] but that investors were "now looking [illegible] a [illegible] and [illegible] the banks had possibly reached the [illegible]". [illegible] said: "If previous results have been depressing, [illegible] quite likely [illegible] be suicidal, [illegible] participants."

The banks' interim reporting season commences on July 26, with figures from Lloyds, [illegible]lowed by Barclays, August 1, Midland, August [illegible] and NatWest, August 6.

Market worries about the possibility of the interim season being accompanied by [illegible] heavy rights issue remain. News emanating from the USA about the proposed merger of Chemical Bank and Manufacturers Hanover [illegible] as interesting but not material to the performance of the banking sector.

Barclays, on heavy turnover of 5.9m, added 13 to 455p, while NatWest, widely regarded as a rights issue favourite, climbed 16 [illegible] 315p on 6.5m, while Lloyds rose 10 to 344p on 2.4m and Midland 7 to 189p on 2.3m.

Properties active

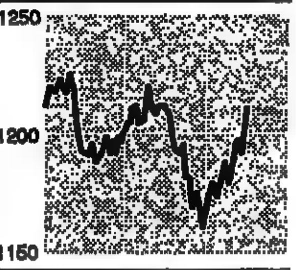
There was a flurry of activity at the opening in the property sector. News of talks over [illegible] full merger between Rosehaugh [illegible] Stanhope, whose joint venture built the Broadgate office complex in the City, boosted both stocks briefly. Traders said that Rosehaugh touched 42½p and Stanhope peaked at 49p on rumours that a cash bid might be in the offing. The excitement faded quickly however, and the shares ended [illegible] up 5, and 42p, unchanged, respectively.

There was no stopping Reckitt and Colman, up another 33 to 1655p for another new high. Traders pointed to the two-for-[illegible] split effective on July 29 – which they hope will improve liquidity – as a reason for the stock's popularity.

ADT continued to recover well from last week's sharp setback, climbing another 40 to [illegible]. After the London market closed on Friday, the company announced that it had applied for a listing on the New York Stock Exchange. The move forms part of an agreement reached in April with Canadian company Laidl[illegible], which [illegible] per cent of ADT's shares.

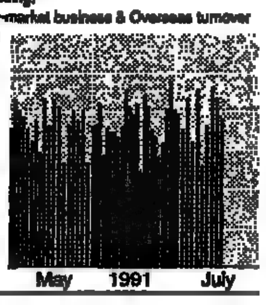
GEC edged up 1¼ to 188p ex dividend after Mr David New[illegible] finance director, [illegible] Mr Simon Weinstock, commercial director, lunched at Carr Kitcat & Aitken, the stockbrokers.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The GEC pair were confident that the company can achieve 4 to 5 per cent earnings growth this year and 7 per cent next year in spite of the uncertainties surrounding UK economic output.

[illegible] County NatWest buy note boosted Racal Electronic 4 to 216p. Barratt Development was the latest casualty in the building sector, with shares 8 lower at 74p after a gloomy review of the [illegible] by BZW. The broker has cut its forecast for Barratt again and expects the group to launch a rights issue next spring.

Beazer [illegible], [illegible] last week by worries about the group's debt burden, rallied 10 to 76p after more reassuring noises to shareholders.

Life assurances made good progress, helped by the good overall performance by equities, but composites were mixed and still worried by the recent shading of credit ratings [illegible] by Standard [illegible] Poor's.

County NatWest [illegible] the composite sector "is unlikely to perform well in the run-up [illegible] dismal first-half results; our preferred exposure is through "safer" companies like Commercial Union and Sun Alliance." Commercial Union rose [illegible] to 525p, and Sun, also boosted by the recent Smith New Court buy note, was up 4 to 370p.

BZW increased [illegible] loss for General Accident for the current year to £130m and for [illegible] to £60m. BZW [illegible] General Accident is suffering in four areas, private motoring, mortgage indemnity, house structure insurance and house contents.

Hillsdown rose 5 to 230p as BZW issued a review of Maple Leaf Foods, the food manufacturer's Canadian operations, formed last year after it bought Canada Packers and merged it with its existing Canadian businesses. BZW said Maple Leaf was making considerable progress and reiterated its buy recommendation on Hillsdown.

United Biscuits and Cadbury Schweppes lagged the market as talk faded about a bid from Philip Morris, the US food company. At least two analysts recommended investors sell the shares after their advance [illegible] last fortnight. Unilever began to recover from the recent spate of downgradings and the shares closed 14 higher at 751p.

Asda added [illegible] to 96½p on [illegible] relief that the company had not accompanied its final results last week with [illegible] rights issue. Leading shares [illegible] the stores sector moved higher on hopes that the recent reduction in interest rates will help to revive consumer confidence. Kingfisher [illegible] 9 to [illegible], Marks and Spencer added 4½ at 270p, while GUS "A" added 32 at 1265p.

Shoprite rose [illegible] following a positive [illegible] its interim results. The market was cheered by the statement [illegible] in 1992 profits in Scotland alone would be greater than group profits last year.

Press reports that Scottish [illegible] keep [illegible] franchise [illegible] a low bid continued [illegible] help the [illegible]. The price [illegible] to [illegible], making [illegible] improvement of 70 in [illegible] week. Another report [illegible] rival had outbid [illegible] for its [illegible] the shares 3 easier at 140p.

Persistent but vague bid talk once again helped Allied-Lyons [illegible] both the market and [illegible] drinks sector. The shares added 12 [illegible] 552p in steady trade.

Sports clothing [illegible] pari climbed 13 to [illegible] new high of 345p ahead of interim figures tomorrow.

P & O dropped [illegible] penny [illegible] 535p on continuing speculation that there will soon be a rights issue.

[illegible] Industries closed four up at 140p as the old chestnut about leading Japanese commercial and investment bank Sumitomo taking a stake in the company [illegible] did the rounds. GKN closed five higher at 329p in sympathy. A squeeze was said to have been the reason for the rise in TI, [illegible] better at 533p.

British [illegible] continued [illegible] move sharply higher, closing 4½ better at 256p on 5.8m as brokers Smith New Court highlighted [illegible] stock's potential dividend growth, the recovery in volumes, the resurgence in the exploration and production division

BP's outperformance against Shell was brought to a halt with the former 4½ firmer at 350½p on 6.3m and the latter 8 better at 525p. Dealers said BP had performed well on the back of its oil discoveries in the North Sea, Colombia and [illegible] Gulf of [illegible] but that the [illegible] had probably [illegible] reached compared with Shell.

Interest in the exploration and production [illegible] encouraged by [illegible] positive note issued by County NatWest.

MARKET REPORTERS: Daniel Green, Joel Kibazo, Jim McCallum, Steve Thompson

■ Other market statistics, including [illegible] FT-Actuaries Share Indices and London Traded Options, Page 24.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (60).
BRITISH FUNDS (1) Treas. 8pc Il. [illegible], AMERICANS (3) Data General, Lockheed, TRINOVA, BANKS (1) Ba[illegible](Cie), CHEMICALS (1) Thurg[illegible], STORES (3) Kingfisher, Marks & [illegible] Smith (WH) A, ELECTRICALS (2) Domino Printing, PKI, Hoskyns, ENGINEERING (2) Kvaerner B, Molins, FOODS (3) Dalepak, Park, Shoprite, INDUSTRIALS (10) Betterware Consumer, Cape, Courtaulds, Electrolux, Intereurope Tech., Kalon, Reckitt & Colman, Do. 9.5pc Cnv. Bd., Relyon, Scapa, [illegible] [illegible] McEwan, Tomkins, Do. 5.5pc Prf., [illegible] 6¼pc Prf., Wellcome, Williams, Do. 5¼pc Prf., Do. [illegible]Prf., LEISURE (4) Airtours, Campar[illegible] Invicta Sound, Scottish TV, NEWSPAPERS (1) Johnston Pres[illegible] (1) St Ives, SOUTH AFRICANS (2) [illegible] Props., Tiger Oats, TOBACCOS (1) BAT Inds., TRANSPORT [illegible] Nickless, TRUSTS (12) Brit [illegible] Cnv. [illegible] Dray[illegible] Far East, First Philippine, Flmg. Intl. High Zero Div Prf., For. & Col. Pac., GT Japan, Gartmore Value Zero Prf., Genesis Chile Fd. Ptg., I & S [illegible]um Inc. Zero Div Prf., Mid Wynd, [illegible] & Merc. Stppd. Prf., Scottish Natl. Zero Div Prf., OILS (1) Fairhaven Intl., MINES (2) Cons. Murchison, RTZ.

NEW LOWS (46).
BRITISH FUNDS (1) Treas. 2½pc Il. 2024, LOANS (2) Nationwide Anglia 3⅞pc 2021, Do. 4.25pc '24, BANKS (2) Anglo Irish, Union Discount, BUILDINGS (2) A[illegible], CHEMICALS (2) [illegible] 7p [illegible] Cnv. Prf., [illegible], STORES (3) Alen Paul, Asprey, Usher (F), ELECTRICALS [illegible] Emess, Trace Computers, ENGINEERING (3) Ransomes, UMECO, Wellman, FOODS (1) Budgens, INDUSTRIALS (10) Barrett (H), [illegible]undry, Cosalt, Dean & Bowes, [illegible] Hadleigh Inds., Hornby, Hunting, [illegible]to-Me, Western Capital, INSURANCE [illegible] Archer (AJ), Durham (DG), MOTORS (2) Caffyns, Jacks (Wm), PROPERTY (3) Britannia, Gl[illegible], Palmerston, TRUSTS (8) Drayton [illegible], EFM Dragon Wrrnts., Ensign, R[illegible], Investment Co., M & G 2nd Dual Inc., [illegible] Street, [illegible], OILS (4) Bula Res., [illegible] Energy, Ex[illegible], Louisiana, Midland & Scottish Res., PLANTATIONS (1) Sertam, MINES (1) Peltrim.

TRADING VOLUME IN MAJOR [illegible]

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	530	830	+47	Courtaulds	571	435	+4	MB Caradon	808	221	+2	Severn Trent Water	875	318	+3
ASDA Group	3,200	96½	+4½	Dalgety	163	399	+3	MEPC	176	445	+1	Shell Transport	907	524	+8
Abbey National	[illegible]	268	+8	De La Rue	245	408	+4	[illegible]	546	247	+3	Slebe	110	480	+6
Albert Fisher	[illegible]	114		Dixons	1,100	215	+1	[illegible] & Spencer	3,700	[illegible]	+4½	[illegible]	234	[illegible]	+1
Allied-Lyons	[illegible]	552	+12	ECC Group	338	430	+3	Maxwell Comms.	139	[illegible]	+2	Smith (W.H.) A	76	403	+3
Amstrad	[illegible]	48		Eastern Elect.	685	187		Midland Bank	2,300	[illegible]	+7	Smith & Nephew	1,800	131½	+½
Anglian Water	105	365	+4	East Midland Elect.	1,200	[illegible]	-½	Midlands Elect.	1,300	206	-½	SmKl Beecham	1,600	810	+14
Argos	669	312	+8	Enterprise Oil	208	637	+2	NatWest Bank	6,300	315	+16	SmKl Beecham Uts.	194	3545	+80
Argyll Group	3,000	302	+8	Eurotunnel Units	34	482	+5	[illegible] Power	[illegible]	142	+8½	Smiths Inds.	332	365	
Arjo Wiggins	427	265	+8	FKI	1,500	68		[illegible]	1,300	[illegible]	+½	[illegible] Elec.	1,800	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday [illegible] 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

EQUITY DERIVATIVES forced share prices higher yesterday as market makers attempted to make up for a shortage of stock by buying FT-SE futures, writes Jim McCallum.

Hopes that last week's cut in interest rates may herald a revival in economic activity and cautious optimism about the outcome of the Group of Seven summit in London tempted some buyers into the market.

Speculation that a bid for a FT-SE stock was in the offing added to the market's bullish tone.

But it was the lack of FT-SE shares [illegible] market makers' books which gave futures their biggest boost as the market [illegible]pted to cover [illegible] positions.

The June FT-SE 100 index advanced [illegible] a 43 point premium to the underlying FT-SE [illegible], compared with 32 on Friday. Shares were marked [illegible] but with little stock around there were few opportunities for arbitrageurs to sell futures and buy shares.

June FT-SE closed at 2,570, up 33 points on the day, while [illegible] lead [illegible] the underlying index finished at 39, compared with fair value of 25.

British Steel stock options were actively traded as a broker rolled over [illegible] position from July to Sep[illegible]. [illegible] was also a seller of 1,000 Asda January 100 calls and a seller of FT-SE December 2,825 calls.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	.....	10.01	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	.....	11.00	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	.....	8.06	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.61	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.03	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.13	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.49	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.14	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.01	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992 ‡‡	[illegible]	[illegible]	13.06	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.48	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.04	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.02	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.41	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.8[illegible]	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	8.83	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Five to Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]	[illegible]	10.06	10.22
[illegible]	[illegible]	Treas 10pc 2003	[illegible]	.....	10.15	10.18
[illegible]	102	Treas. 11½pc 2001-04	[illegible]	[illegible]	10.81	10.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Undated				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index-Linked				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]'01 (78.3)	148¾	[illegible]	4.05	4.38
[illegible]	[illegible]	[illegible]'03 (78.8)	136¼	[illegible]	[illegible].14	4.42
[illegible]	[illegible]	[illegible] (69.5)	137¾	[illegible]	4.21	4.43
[illegible]	[illegible]	[illegible]'09 (78.8)	126	[illegible]	[illegible].24	4.44
[illegible]	[illegible]	[illegible]'11 (74.6)	[illegible]	[illegible]	4.25	4.44
[illegible]	[illegible]	[illegible]'13 (89.2)	106[illegible]	[illegible]	4.26	4.42
[illegible]	[illegible]	[illegible]'16 (81.6)	113[illegible]	[illegible]	4.22	4.39
[illegible]	[illegible]	[illegible]'20 (83.0)	109[illegible]	[illegible]	4.18	4.33
[illegible]	[illegible]	[illegible]'24‡‡ (97.7)	91[illegible]	[illegible]	4.13	4.27

[illegible] real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for [illegible] 1990: 130.0 and for June 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95¾	African Dv Bk 11¼Ln 2010	101[illegible]	[illegible]	10.99	10.96
97[illegible]	91[illegible]	Asian Dev Bk 10¼pcLn2009	96[illegible]	[illegible]	10.65	10.71
112[illegible]	105[illegible]	[illegible]-Am Dev Bk 12½pc 2003	110[illegible]	[illegible]	11.28	10.82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

90	84½	Rho. 87-92 Assd	[illegible]		–	–

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	52	Met. Wtr. 3pc 'B'	5[illegible]	.....	5.77	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	£7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	£6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	£4.00
55	55	Hung. '24 Ass.	55	.....	2.75	£3.57
128	120[illegible]	Hydro Quebec 15pc 2011	126[illegible]	+[illegible]	12.89	11.60

Continued on next page

APPOINTMENTS

Wedgwood chief executive

■ Mr Kneale Ashwell has been appointed chief executive of WEDGWOOD from the end of July, and will join the boards of Waterford Wedgwood, and Waterford Wedgwood UK. He is managing director of Johnson & Johnson's subsidiaries in Australia, New Zealand and Japan.

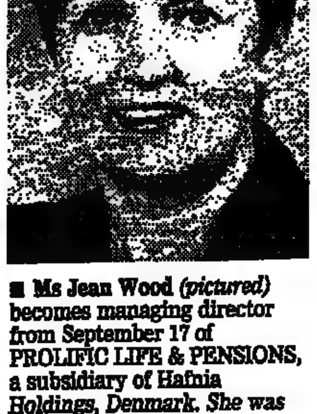
■ CMI FINANCIAL SERVICES, part of Clerical Medical Investment Group, has appointed Mr Rick May as deputy chief executive. He was product development and marketing director for CMI.

■ Ms Angela Hennessey has joined, as principal, the corporate finance services division of COOPERS [illegible] LYBRAND DELOITTE.

■ T & S STORES, Brownhills, a CTN retailer trading as Supercigs and Dillons Newsagents, has appointed Mr David Turner as group property director, responsible for the 570 stores and for acquisitions.

■ Mr Leszek Marcinowicz has been appointed vice president, human resources, PARKER HANNIFIN CORPORATION, based at its international headquarters, Hemel Hempstead. He was UK personnel manager.

■ AUTOMOTIVE PRODUCTS, Leamington Spa, has appointed Mr Rob Avent as sales and marketing director of the Borg & Beck clutch division. He was commercial director at Dunlop Cox.



■ Ms Jean Wood (*pictured*) becomes managing director from September 17 of PROLIFIC LIFE & PENSIONS, a subsidiary of Hafnia Holdings, Denmark. She was managing director of Manufacturers Life Insurance (UK), a subsidiary of Manulife Canada. She succeeds Mr Frans Witt, chief executive of PL&P, who is returning to Hafnia in Copenhagen.

■ Mr John Cheele has been appointed to the board of KENT RELIANCE BUILDING SOCIETY. He is a non-executive director of County of Kent Developments, Tenco Holdings, and R.J. Barwick & Sons.

■ JSB COMPUTER SYSTEMS has appointed Mr Carl Koppel as American vice president. [illegible] will be [illegible] at Macclesfield until the American office opens later this year. [illegible] was a director of SCO.

■ Mr Eric E. Turtle has been appointed development director of AMEY FACILITIES MANAGEMENT, a new operating company in the Amey Group. He was [illegible] director of PSA Building Management.

Low [illegible] Bonar restructure

■ At LOW & BONAR, Dundee, Mr Tom Agnew has been promoted to managing director of the packaging group. He was managing director of Bonar Bibby & Baron and will be succeeded by Mr Keith Chapman. In the plastics group Mr Aime Verle will be managing director, operating from Belgium, and covering rotational moulding in Germany, France, Holland and the UK. Managing director of the specialist materials group will be Mr Peter Bartlett, keeping his day-to-day responsibilities for the Flotex operations in France and the UK. Within this group the polypropylene division, in Belgium and Scotland, will be headed by Mr Oscar De Decker. Dr Clive Rankin is to be appointed director of development and environmental affairs, and will retain responsibility for speciality polymer [illegible].

■ Mr Ian Fair has been appointed chief executive of JARDINE INSURANCE BROKERS in New Zealand, a subsidiary of the UK group.

■ Mr Roger Wingate has been promoted from managing director to chairman of CHESTERFIELD PROPERTIES, succeeding Mr Edward Erdman who has retired but remains on the board. Mr John Gamble has become managing director. He was the director responsible for UK acquisitions and management of the property investment portfolio.

Mr Andrew Yeandle (*pictured*) has been appointed as a director of the de MORGAN GROUP. He was with the Richard Ellis partnership.

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	155	Airtours 10p	303	+18	18.25	2.9	2.2	15.8
100	71½	Allied Leis. 5p	88		F4.75	3.5	7.2	6.2
246	140	Anglia TV	145	+4	9.20	2.4	8.5	6.6
[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
4½	2	Abaca Grp. 5p	2					
100	78	Allied London 10p	87		3.53	0.5	5.4	68.9
95	75	Do. 5¼pc Cnv Rd Pf £1	87		5¼%		8.8	
[illegible]								

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
105	84	Seacon Hldgs	96	+1	t3.5	3.9	4.9	7.1
33	16	Seafield Ir25p	18					1.7
89	38	T.I.P. Europe	54½		t5.3	1.9		(4.7)
[illegible]								

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
380	331	Anglian £1	365	+4	17.5	2.2	6.4	7.7
170	135	East Surrey Water 10p	170		8.0	2.7	6.3	(6.4)
178	155	Mid Kent Hldgs £1	178					
[illegible]								

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	640	.....
Finlay Pkg. 5p	23	–1
Holt (Jos) 25p	1978	+3

IRISH

Cap. 6½% Ln. 2010	£93¼	.....
9pc Cap Ln. 1996	£97¾	+¼
Fin. 13% 97/02	£114¼	.....
Arnotts	165	.....
Helton Hldgs	43	.....
IRG	128½	.....
United Drug	178	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	34
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	38
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intel	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	309.4	309.4	330.0	-4.9	1.30
(Accum Units)	5	361.9	361.9	386.1	-5.7	1.30
British	5	781.9	781.9	827.2	+0.7	5.99
(Accum Units)	5	1251.8	1251.8	1324.3	+1.1	5.99
European	5	320.5	320.5	341.3	+0.8	1.55
(Accum Units)	5	343.5	343.5	368.8	+0.8	1.56
Japan	5	123.3	123.3	131.0	+0.7	-
(Accum Units)	5	124.2	124.2	132.0	+0.7	-
New Pacific	5	175.0	175.0	186.2	-1.2	1.95
(Accum Units)	5	179.2	179.2	190.6	-1.2	1.95
PEP July 10	5	130.0	132.4	140.1		3.96
Mngd Equity	5	119.6	121.4xd	128.3	+0.4	3.62
Mngd Equity Acc	5	127.1	129.0	136.5	+0.4	3.62
Mngd Gilt	5	95.69	95.69xd	100.4	+0.1	11.38
(Accum Units)	5	113.3	113.3	118.9	+0.2	11.38
[illegible] July 10	5	120.9	120.9	128.0		6.44
[illegible]	1	99.67	99.67xd	100.65	+0.06	11.14
[illegible] Acc	1	104.55	104.55	105.58	+0.07	11.14

Stonebrand Intl Inv Mngrs Ltd (1200)F

Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300. Dealing 0277 261010

[illegible] July 15	0	51.19	51.19	51.68	+0.04	3.45

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Alliance House, Horsham 0403 56293

Equity	6	588.0	595.3	636.7	+11.8	3.42
North America	6	79.81	80.64	86.25	-0.53	1.04
Far East	6	96.64	97.80	104.6	-0.7	1.00
W'wide Bond	6	47.58	47.58	50.62	-0.31	5.72
European	6	66.39	66.79	71.43	+0.05	1.83
Equity Income	6	68.32	69.26xd	74.08	+0.21	6.32
Portfolio	6	58.11	58.11	62.15	-0.04	2.70

Sun Life of Canada Unit Mgrs Ltd

Basingview, Basingstoke, Hants

American Growth	6	26.84	26.84	[illegible]		
Managed Assets	6	101.91	101.71xd	[illegible]		

Edinburgh Fund Mngrs PLC

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield
American July 10	160.4	164.8	-0.8	1.52
Managed July 10	143.1	148.4	+0.8	3.88
Japan July 11	120.7	124.0xd	-0.3	0.08
Sml Jap Cos July 12	583.0	599.0	-11.6	0.08

Fidelity Investment Services Ltd

Mngd Pens P'folio	129.3	133.4		3.65

Robert Fleming Asset Mngmt Ltd

Am Exempt	£486.97	494.25	-7.80	1.56
Gen Exempt	£129.68	132.61	-0.75	3.99
Jap Exempt	£487.79	497.49	-5.49	0.82
Pacific Exempt	£102.97	105.14	-2.01	3.00
Contl Euro Exempt	£96.11	98.01	+0.16	2.27
Indexed Exempt July 11	£125.99	129.13		4.93
Amer Indxd Expt July 11	£107.80	108.96		2.73
Japan Indxd Expt July 11	£65.50	66.82		0.63
Euro Indxd Expt July 11	£95.46	97.39		2.85
O'seas Indxd Expt July 11	£100.64	102.85		2.48

Funds in Court*

Capital July 3	489.42	493.00		2.49
Gross July 3	173.36	176.77xd		11.03
High Yield July 3	290.47	292.80		7.04

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	52.84	53.93	+0.28	4.17

INVESCO MIM Management Ltd

Exempt Funds

Intl Mngd P'Folio	1290.0	1327.0xd		-
Mngd Pens (Acc)	68.1	72.6		-

Lazard Brothers & Co. Ltd

Property Jan 3	£2260.8	2675.0		6.00
Inc Exh Pro Apr 16	£1325.0	1400.0		7.20

Albany Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Man Fd Acc(z)	423.8	446.1	-1.0	-
Japan Fd(z)	277.6	292.2	-0.3	-
UK Smlr Co's Fd Acc(z)	93.3	98.2	-0.1	-
European Metro	133.4	140.4	+0.4	-
Global Metro	105.1	110.5	-0.3	-
Sunrise Metro	127.2	133.8	-1.1	-
UK Metro	115.0	121.0	+0.2	-
Nth American Fd Acc(z)	235.4	247.7	-2.1	-
Pac Basin Fd Acc(z)	155.3	163.4	-2.0	-
Prop Fd Acc(z)	332.9	350.4	+0.2	-
Millennium	110.0	115.7	+0.1	-
Multiple Inv Acc(z)	774.7	815.5	-0.1	-
Pension Funds				
Brit Blue Chip Acc(z)	191.9	202.0	+0.4	-
Eq Pen Fd Acc(z)	2337.0	2460.0	+3.1	-
Euro Fd Acc(z)	329.7	347.0	+1.7	-
Intl Fixed Inc Acc	428.7	451.2	-1.8	-
Fixed Int. Acc.(z)	864.5	909.9	-1.2	-
Gt Money Pn Acc(z)	556.8	586.1	+0.6	-
High Interest	196.7	207.0	+0.2	-
High Income Fd Acc(z)	141.7	149.1	-0.2	-
Intl Man Fd(z)	633.4	666.6	-2.0	-
Jap Pen Fd Acc(z)	378.4	398.3	-0.4	-
UK Smlr Co's Fd Acc(z)	98.8	104.0		-
European Metro	146.3	153.9	+0.5	-
Global Metro	109.4	115.1	-0.3	-
Sunrise Metro	[illegible]	144.2	-1.2	-
UK Metro	[illegible]	126.4	+0.3	-
N Am Pn Fd Acc(z)	[illegible]	300.0	-3.3	-
Pac Basin Fd Acc(z)	[illegible]	189.3	-3.0	-
Property(z)	[illegible]	614.0	+0.4	-
Mngd Inv Pens Acc(z)	1591.2	1674.9	-0.4	-
Broker Funds				
YRA Strategy	138.3	145.6	-0.4	-
YRA Performance	125.1	131.6	-0.5	-
Langham Dollar (SE)	111.1	116.9	-0.2	-

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance
Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Far East Emerg Econ	40.1	42.1	-0.4	-
Fund of Inv Tsts	59.0	62.0	+0.1	-
Money	151.8	159.4	+0.1	-
Special Situations	82.5	86.6	+0.4	-
UK Growth	124.2	130.4	+0.6	-
World Growth	117.0	122.8		-
Pension Funds				
[illegible]	132.3	[illegible]	+0.4	-

Crusader Insurance PLC

PO Box 37, Greenock, Renfrewshire, PA15 4AZ 0475 888000

Life Funds

	Bid Price	Offer Price	+ or -	
Mixtured Performance	113.5	[illegible]	+0.4	-
Performance Plus	108.5	[illegible]	+0.1	-
With Profit Perform	134.3	[illegible]		-
UK Opportunity	134.4	[illegible]	-0.4	-
European Opportunity	131.8	[illegible]	-1.6	-
Nth American Opp	98.6	[illegible]	+0.8	-
Far Eastern Opp	132.7	[illegible]	+0.7	-

Assicurazioni GENERALI SpA

117 Fenchurch St, London EC3M 5DY 071-488 0733

	Bid Price	Offer Price	+ or -	
Hambro General[illegible]	143.5	151.1		-
Hambro General Ppty	133.8	140.9		-
Hambros Canadian	122.8	129.2		-
Hambros Equity Inc	130.1	137.6		-
Hambros European	145.9	153.6		-
Hambros High Income	147.4	155.2		-
Hambros Jap & Far East	142.5	150.0		-
Hambros Nth American	171.3	180.4		-
Hambros Scandinavian	168.4	177.3		-
Hambros Smaller Cos	140.6	148.0		-

Legal & General (Unit Pensions) Ltd

Kingswood House, Kingswood, Surrey 0737 370370

	Bid Price	Offer Price	+ or -	
Ex. Bldg. Soc. Initl	155.5	163.7	+0.1	-
Do. Accum	194.6	204.9	+0.2	-
Exempt Cash Init	277.3	291.9	+0.2	-
Do. Accum	437.6	460.7	+0.4	-
Exempt Eqty. Init	842.6	887.0	+5.9	-
Do. Accum	1329.6	1399.6	+9.3	-
Exempt Euro Init	163.2	171.8	-0.6	-
Do. Accum	198.1	208.6	-0.5	-
Exempt Far East'n Init	223.7	235.5	-1.0	-

Merchant Investors Assurance Co Ltd

Part of the MI Group
91 Wimpole St, London W1M 7DA
Life Administration 0272 266366
Pensions Administration 081-686 9171
Unit Prices 081 789 2945 or 0272 752297

	Bid Price	Offer Price	+ or -	Yield Gross
MI Managed Fd	55.6	58.5		-
MI Currency Fd	222.2	233.8	-1.0	-
MI Environmental	46.8	[illegible]	-0.2	-
MI European Equity	54.1	[illegible]		-
MI Far East Equity	309.0	[illegible]	+0.8	-
MI Gilt-Edged	399.5	[illegible]	-0.6	-

[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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● [illegible] Unit Trust prices [illegible] FT Cityline. [illegible] charged [illegible] 45p per minute peak and [illegible] off peak, [illegible] VAT. To obtain your [illegible] Unit Trust [illegible] Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6–7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	106.5	112.1	+0.4	–
Pension Managed Fd	104.6	110.1	+0.6	–
Life Deposit Fd	108.1	113.7	----	–
Pension Deposit Fd	113.5	119.5	+0.1	–

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	107.8	113.5	−0.5	–
Managed Growth	135.6	142.8	−0.5	–
Managed Opportunity	137.4	144.7	−0.3	–
NFMC Target Financial	101.4	106.8	+0.6	–
Pension Funds				
Managed Cautionary	118.1	124.4	−0.5	–
Managed Growth	143.7	151.3	−0.4	–
Managed Opportunity	137.8	145.1	−0.2	–
NFMC Target Mngd Pen	1518.6	1598.6	+4.1	–

National Mutual [illegible]
The Priory, Priory Pk, [illegible] SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Harvester Pension Funds				
Managed	162.9	170.5	----	–
UK Equity	167.8	176.7	----	–
Overseas Equity	137.9	145.2	----	–
Fixed Interest	146.3	154.0	----	–
Property	127.8	134.6	----	–
Index Linked	147.4	155.2	----	–
Deposit	158.1	166.5	----	–
With Profits (B)	129.7	136.5	----	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	352.0	370.6	+1.0	–
UK Equity	439.2	462.4	+3.2	–
Overseas Eq	352.0	370.6	−0.2	–
Americas	291.8	307.2	−1.5	–
Far East	385.8	406.2	−0.6	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690595

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	150.5	159.0	+0.5	–
Accum Equity	216.0	228.0	+1.0	–
Accum Managed	226.5	239.0	+0.5	–
Accum Five Star	171.5	181.0	----	–
Accum World	124.5	131.5	----	–
Accum Lifetime	109.1	109.1	+0.1	–
Pens Acc Equity	232.5	245.0	+1.5	–
Pens Acc Managed	282.0	297.5	+1.0	–
Pens Acc Intl	216.5	228.5	−0.5	–
Pens Acc Deposit	200.5	211.5	----	–
Pens Acc Five Star	187.5	198.0	−0.5	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	223.0	235.3	+1.2	–
UK Fixed Int Acc	176.5	186.2	+0.2	–
Intl Equities Acc	178.5	188.3	−0.3	–
UK Managed Acc	173.2	182.7	+0.4	–
Property Acc	224.1	236.4	----	–
Money Acc	130.0	137.2	+0.1	–
Special Market Acc	142.9	150.8	−1.4	–
Japan Equity Acc	105.9	111.8	+0.8	–
North American Acc	109.2	115.2	−0.5	–
Pacific Acc	98.1	103.5	−0.5	–
Technology Acc	128.8	135.9	−1.6	–
Nat Resources Acc	63.8	67.4	−1.4	–
European Acc	101.7	107.3	+0.2	–
Residential Prop Acc	96.2	101.5	[illegible]	–
Swiss Equities Acc	35.2	37.2	[illegible]	–
Hong Kong Acc	70.2	74.1	[illegible]	–
UK High Inc Eq Acc	71.8	75.8	[illegible]	–
Int Fixed Interest Acc	57.8	61.0	[illegible]	–
Int Managed Acc	[illegible]	60.1	[illegible]	–
HIP Managed Acc	[illegible]	124.3	[illegible]	–
HIP Managed II Acc	[illegible]	109.5	[illegible]	–
HIP Managed III Acc	[illegible]	115.0	[illegible]	–
Total Investment Bond				
UK Equity Initial		151.7	[illegible]	–
UK Fixed Int Initial		120.3	[illegible]	–
Intl Equities Initial		120.7	[illegible]	–
UK Managed Initial		118.1	[illegible]	–
Property Initial		153.8	[illegible]	–
Money Initial		89.1	[illegible]	–
Special Market Initial		111.1	[illegible]	–

CMI Insurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Sterling Equity	$0.4420	0.4760	+0.003	–
Nordic Equity	$0.4390	0.4730	----	–
Benelux Equity	$0.4470	0.4810	+0.002	–
Dollar Funds				
Antipodean Equity	$0.5500	0.5920	+0.006	–
Canadian Equity	$0.4540	0.4890	+0.001	–
Japanese Equity	$0.5020	0.5400	+0.013	–
US Equity	$0.4680	0.5040	+0.004	–
SE Asia Equity	$0.5610	0.6040	+0.001	–
US Bond	$0.4730	0.5090	+0.002	–

ECU Futures Plc

	Bid Price	Offer Price	+ or −	Yield Gross
ECU Omega Funds	147.0		−19.0	–
ECU Rhyden	119.0		−7.0	–

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

	Bid Price	Offer Price	+ or −	Yield Gross
Select Portfolio	27.9	29.41	−0.1	–

Fairmount Financial Services Ltd
Fairmount Hse, Bull Hill, Leatherhead 0372 370000

	Bid Price	Offer Price	+ or −	Yield Gross
Secure	106.1		+0.2	–
Growth	103.5		+0.5	–

Hambros Fd Mgrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

	Init Charge	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
EMMA Managed	4	[illegible]	5.4767	5.7060	[illegible]	7.90
EMMA £ Bond	4	[illegible]	4.5519	4.7550	[illegible]	10.00
EMMA $ Bond	4	[illegible]	24.974	26.058	[illegible]	7.06
EMMA Australian Bond	4	[illegible]	24.069	25.123	[illegible]	10.94
EMMA C$ Bond	4	[illegible]	24.409	25.451	[illegible]	8.14
EMMA Yen Bond	4	Y2,389	2,389	2,493	[illegible]	6.25
EMMA Cont Eur Bond	4	[illegible]	44.582	46.545	[illegible]	7.50
EMMA £ Money	4	[illegible]	10.018	10.429	[illegible]	10.81
EMMA $ Money	4	[illegible]	14.969	15.567	[illegible]	5.09
EMMA Dual Eur Money 2	4	[illegible]	48.446	50.383	[illegible]	8.25
[illegible]	[illegible]	[illegible]	4.8401	5.0392	[illegible]	10.38

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

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JERSEY (REGULATED)

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LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fears haunt dollar

THE DOLLAR was [illegible] little weaker, below the DM1.79 level, as fear of central bank intervention prevented the currency from sustaining gains made [illegible] the [illegible] of encouraging economic [illegible].

There was [illegible] slight improvement on news that US industrial production rose 0.7 per [illegible] in June, compared with [illegible] of a 0.4 per cent rise, and against [illegible] revised increase of 0.7 per cent in May. Capacity utilisation [illegible] June was [illegible] stronger than fore[illegible] [illegible] 79.3 per [illegible] [illegible] expectations [illegible] [illegible] per cent. May's figure [illegible] [illegible] [illegible] 79.0 per cent.

The figures were positive for [illegible] [illegible] economy, but had virtually no impact on [illegible] dollar because of the fear of intervention.

[illegible] Friday the US currency lost around 2.5 per cent of its value as a result of heavy intervention by central banks, including the Federal Reserve and the German Bundesbank. The shock [illegible] [illegible] [illegible] [illegible] hung [illegible] market yesterday, creating [illegible] mood [illegible] caution despite expectations that the dollar will attack DM1.80 again in the near future.

It [illegible] [illegible] peak [illegible] [illegible] yesterday, [illegible] fall[illegible] back [illegible] [illegible] in London at DM1.7875 compared with DM1.7890 on Friday. The dollar also eased to [illegible] from Y136.75; [illegible] SFr1.5480 from SFr1.5490; and to [illegible] from FFr6.0725. On Bank of England figures the dollar's index declined to [illegible] from [illegible].

[illegible] [illegible] supported by the [illegible] [illegible] UK bank [illegible] rates are unlikely to be cut again in the near future, after Friday's reduction of ½ point, the seventh since the pound joined the European exchange rate mechanism last October.

Sterling rose [illegible] points to $1.6525. It [illegible] climbed to DM2.9550 from DM2.9500; [illegible] FFr10.0275 from FFr10.0175; [illegible] SFr2.5575 from SFr2.5550; and [illegible] [illegible] from Y225.50. The pound's index closed unchanged at 90.4.

Sterling remained in the middle [illegible] [illegible] ERM grid, [illegible] the D-Mark. The [illegible] franc stayed the second [illegible] ERM [illegible], [illegible] [illegible] [illegible] [illegible] top placed Spanish peseta.

The peseta was well within its ceiling against the weakest member, the Danish krone, but it was generally strong. News that the Bank of Spain had left its intervention rate unchanged when adding liquidity to its domestic money market kept the Spanish currency firm. In Paris it was fixed at FFr5.4165 per 100 pesetas, compared with FFr5.4155. This was the highest level since June 24.

Speculation that the Bank of France may soon cut interest rates, despite Spain's cautious attitude, undermined the franc a little. French inflation figures for June are expected today, amid expectations that the year-on-year figure could be below Germany's rate of 3.5 per cent. French inflation in May was 3.2 per cent. The D-Mark rose to FFr3.3929 from FFr3.3896 at the Paris fixing, and sterling also improved.

[illegible] IN [illegible] YORK

July 15	Latest	Previous Close
£ Spot	1.6520-1.6530	1.6490-1.6500
1 month	0.76-0.74pm	0.72-0.70pm
3 months	2.00-1.97pm	2.01-1.98
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 15	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jul 15	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Jul 15	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Jul 15	£	$
[illegible]	[illegible]	[illegible]
Malaysia	4.5720 - 4.5800	2.7800 - 2.7820
Mexico	4968.70 - 4973.40	3015.00 - [illegible]
N.Zealand	2.9155 - 2.9190	1.7740 - [illegible]
Saudi Ar	5.9775 - 6.0540	3.7500 - [illegible]
Singapore	2.8765 - 2.8830	1.7480 - [illegible]
S.Af (Cm)	4.7350 - 4.7460	2.8775 - [illegible]
S.Af (Fn)	5.0965 - 5.1760	[illegible] - 3.1499
Taiwan	44.40 - 45.05	[illegible] - 27.10
U.A.E.	5.9975 - 6.0355	3.6715 - [illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	[illegible] Rates	Currency Amounts Against Ecu Jul 15	% Change [illegible] Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.791	-3.62	5.15	63
Italian Lira	1538.24	1528.43	-0.64	2.00	37
Belgian Franc	42.4032	42.3058	-0.23	1.58	16
Dutch Guilder	2.31643	2.31459	-0.08	1.43	9
Sterling	0.696904	0.696440	-0.07	1.41	[illegible]
D-Mark	2.05586	2.05508	-0.04	[illegible]	[illegible]
Irish Punt	0.767417	0.767417	0.00	1.34	[illegible]
French Franc	6.89509	6.97421	1.15	0.19	-37
Danish Krone	7.84195	7.94740	1.34	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6425 - 1.6535	1.6520 - 1.6530	0.76-0.74cpm	5.45	1.98-1.95pm	4.76
Canada	1.8810 - 1.8925	1.8900 - 1.8910	0.40-0.33cpm	2.32	0.73-0.65pm	1.46
Netherlands	3.3180 - 3.3300	3.3200 - 3.3300	[illegible]	2.26	[illegible]	1.65
Belgium	60.50 - 61.00	60.90 - 61.00	15-10cpm	2.46	29-23pm	1.71
Denmark	11.3850 - 11.4600	11.4500 - 11.4600	[illegible]	1.83	[illegible]	1.42
Ireland	1.1000 - 1.1075	1.1045 - 1.1055	0.13-0.08cpm	1.14	0.30-0.20pm	0.90
Germany	2.9475 - 2.9575	2.9525 - 2.9575	[illegible]	2.28	[illegible]	1.78
Portugal	252.15 - 255.25	253.00 - 254.00	107-173cdis	-6.63	225-318dis	-4.28
Spain	184.30 - 185.50	185.10 - 185.40	14-31cdis	-1.46	47-89dis	-1.47
Italy	2192.00 - 2201.25	2199.00 - 2200.00	par-1liredis	-0.27	1-3dis	-0.36
Norway	11.4775 - 11.5475	11.5375 - 11.5475	[illegible]	0.84	[illegible]	0.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.50-3.45cpm. 12 Month [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Jul 15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	0.751	[illegible]	102.6	4.561	1.163	1.512	1000.	[illegible]	[illegible]	[illegible]
B Fr.	1.641	2.710	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3608	3.101	100.	[illegible]
ECU	[illegible]	1.150	[illegible]	157.1	6.980	[illegible]	[illegible]	1530	1.315	42.41	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: [illegible] Fr. per [illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

PARIS

[illegible]

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	-	0.10	0.46	-
104	1.92	-	-	0.24	0.72	-
105	[illegible]	1.35	-	0.56	1.13	-
106	[illegible]	[illegible]	-	1.12	1.62	-
107	0.15	[illegible]	-	-	-	-
108	0.06	0.34	-	-	-	-
Open Int.	183,296	35,584	7,325	130,830	21,564	15,400

Estimated volume 17,677 Total Open Interest 395,999

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	[illegible]	6-mth.	12-mth.
1.6525	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]-STERLING $s per £

	Latest	High	Low	Prev.
[illegible]	1.6328	1.6340	1.6294	1.6388
[illegible]	[illegible]	1.6150	[illegible]	[illegible]
Mar	[illegible]	1.6000	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	11	Comm. Bk. of London Plc	11	McDonnell Douglas Bnk	11
Adam & Company	11.5	Co-operative Bank	11	Midland Bank	11
Allied Trust Bank	11	Coutts & Co	11	Mount Banking	11
AIB Bank	11	Cyprus Popular Bk	11	NatWestminster	11
● Henry Ansbacher	11	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11	Duncan Lawrie	11	Nykredit Mortgage Bank	12
Bank of Baroda	11	Equatorial Bank plc	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Roxburghe Bank Ltd	12.5
Bank of Cyprus	11	Financial & Gen. Bank	12	Royal Bk of Scotland	11
Bank of Ireland	11	First National Bank Plc	14	● Smith & Williamson Secs	11
Bank of India	11.5	● Robert Fleming & Co.	11	Standard Chartered	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	TSB	11
Banque Belge Ltd	11	Girobank	11	Unibank plc	11
Barclays Bank	11	● Guinness Mahon	11.5	● United Bk of Kuwait	11
Benchmark Bank	11.5	● Hambros Bank	11	Unity Trust Bank Plc	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Western Trust	11
● Brown Shipley	11	Heritable & Gen Inv Bnk	11.5	Westpac Bank Corp.	11
CL Bank Nederland	11	● Hill Samuel	11	Whiteaway Laidlaw	11
Citibank NA	11	C. Hoare & Co.	11	Yorkshire Bank	11
City Merchants Bank	11	Hongkong & Shanghai	11		
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
		Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates steady

RATES WERE steady on the London money market yesterday after Friday's cut in UK bank base rates. The Bank of England signalled caution on further reductions by setting its dealing rates at the same level for band 1 and 2 bills.

Lack of speculation about rate cuts was illustrated by steady, quiet trading in wholesale money rates. Three-month interbank was unchanged at 11$\frac{1}{16}$-11 per cent and 12-month money was steady at 10$\frac{13}{16}$-10$\frac{11}{16}$ per cent.

On Liffe short sterling futures maintained the weaker tone seen [illegible] Friday's UK inflation data for June. September short sterling opened [illegible] [illegible] 89.40 and fell to [illegible] [illegible] [illegible], before closing at [illegible] against 89.42 previously. Volume was low.

Day-to-day credit was [illegible] more comfortable supply than of late on the cash market. The Bank of England initially forecast a shortage of £550m, but revised this to £700m at noon and to £750m in the afternoon. Total help of £744m was provided.

Before lunch the authorities bought £424m bills outright, by way of [illegible] bank bills in band 1 at [illegible] per cent and £2m bank bills in band 2 at [illegible] per cent. In the afternoon [illegible] [illegible] bills [illegible] purchased, via £190m bank bills in band 1 at 10⅞ per cent and £100m bank bills in band 2 [illegible] 10⅞ per cent. Late assistance [illegible] around £30m was also provided.

Bills maturing in [illegible] hands, repayment [illegible] [illegible] [illegible] [illegible] a take-up [illegible] Treasury bills drained £1,166m, with exchequer [illegible] absorbing £260m. These outweighed [illegible] fall in the [illegible] circulation adding £600m to liquidity and bank balances above target of £255m.

In Dublin the Irish Central Bank cut its short-term facility rate to [illegible] from 10¾ per cent. This [illegible] the rate [illegible] which the [illegible] bank lends [illegible] commercial banks.

In Brussels the Belgian National Bank left [illegible] seven-day [illegible] [illegible] at 8.75 per cent [illegible] [illegible] fixed-rate tender against government paper and commercial bills..

In Frankfurt call money rose [illegible] [illegible] from 8.70 per [illegible] despite banks' relatively high [illegible] holdings at the Bundesbank. There was [illegible] [illegible] [illegible] lend funds, ahead of this week's securities repurchase agreement [illegible] from the Bundesbank. This reflects [illegible] that rates will be bid up following last week's cut in the Bundesbank's target [illegible] M3 monetary growth.

UK clearing bank base lending rate 11 per cent from July 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. July 15) [illegible] US [illegible]		6 months US Dollars	
bid 6	offer 6⅛	bid 6$\frac{3}{16}$	offer 6$\frac{5}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8½	One month	5.58	Three year	7.30
Broker loan rate	7¾	Two month	5.71	Four year	7.50
Fed. funds	5$\frac{13}{16}$	Three month	5.71	Five year	7.89
Fed. funds at intervention	-	Six month	5.94	Seven year	8.15
		One year	6.23	10-year	8.26
		Two year	6.86	30-year	8.45

July 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.80-8.95	8.85-9.00	8.90-9.05	9.05-9.20	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	7¾-8	-	-
Amsterdam	[illegible]	8.92-8.98	-	9.00-9.06	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Jul 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,595 Set by HIGHLANDER

ACROSS

1 Criminal protected by attractive girl (4-7)
7 Firm date for fish delivery, subject to payment [illegible]
9 Tropical climber in the Italian Alps? (5)
[illegible] Attacks leopards at back of lair (9)
11 Fish go in with Walrus's fellow oyster-eater (9)
12 Who heard sound [illegible] [illegible]ter during noisy commotion? (3-2)
13 Sort of explosive [illegible] in Greek [illegible] [illegible]
15 [illegible] out women's clothes (4)
18 Walkway record (4)
20 Camp bed in front of lake (7)
23 Disprove potato is round (5)
[illegible] [illegible] is damaged by friend of the bishop (9)
26 Random examination reveals blemish [illegible] patterned fabric [illegible]
27 Why you see calcium in American plant (5)
28 Half of seasonal amount (3)
29 A turtle oil stirred round a casserole dish (11)

DOWN

1 They say childish figure derives from synthetic polymer (8)
2 Boring people at Epsom perhaps (4.4)
3 The church has introduced hunting (5)
4 Car is over the hill, he hears (7)
5 Relations with friendly cardinal (7)
6 Poorly players are in plaster (9)
7 Business firm has available a cosy warm covering (6)
8 Discouraging Midas upset several in Rome (6)
14 Express is trapped in run-over vehicle (6,3)
16 Resistance in current makes [illegible] very hot (8)
17 [illegible]p indicating where something is concealed (8)
19 Order to collect rates, as a rule (7)
20 long legs are [illegible] feature of this insect (7)
21 Note goes higher in crucial stages (6)
22 Flowering autumn blossoms start to emerge through mist (6)
25 Creature from South America is evasive [illegible] uprising (5)

Solution to Puzzle No.7,594

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

3:15 pm prices July 15

Quotations in cents unless marked $

[illegible]

Sales	Stock	High	Low	Close	Chng
24000	Canamax	33	33	33	
3500	Cantor	$28¾	28⅛	28⅛	
1000	CnPcForest	$31½	31½	31½	+⅛
1000	Cara Op	$6¾	6⅝	6⅝	+⅛
9300	Carena Devl	$13⅝	13½	13⅝	
1300	Cascades	500	490	490	
1100	Celanese	630	35	35	
1200	Cntrl Cap	440	435	440	
13100	Cinpx Ods	$6½	6¼	6¼	−⅛
3300	Cntrl Fd A	500	500	500	

MONTREAL

3.15 pm prices July 15

[illegible]

INDICES

NEW YORK

DOW JONES	July 12	July 11	July 10	July 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2980.77	2959.75	2944.77	2947.23	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.24	94.09	94.17	[illegible]	95.09 (30/5)	92.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1208.39	1213.50	1205.04	1207.51	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	198.06	196.87	195.17	196.62	220.89 (14/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3003.35 (2975.63) Low 2942.98 (2953.38)

STANDARD AND POOR'S								
Composite ‡	380.25	376.97	375.74	376.11	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	453.65	449.55	448.08	448.74	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	29.70	29.41	29.39	29.31	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.16	206.54	205.87	205.90	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	364.14	361.84	361.94	360.55	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	492.71	488.37	487.17	483.64	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	July 5	June 28	June 21	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.16	3.07	3.71

	Jul 10	Jul 3	Jun 26	year ago (approx.)
S & P Industrial div. yield	2.79	2.81	2.83	2.96
S & P Indl. P/E ratio	18.89	18.77	18.68	16.95

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
[illegible]	5,465,400	35⅛	−2
[illegible] Corp	5,213,000	⅞	−⅛
[illegible] Waste	3,900,000	18⅞	−2⅛
[illegible]	2,969,600	[illegible]	+1
[illegible]	2,462,000	[illegible]	+1⅛
[illegible]	2,195,800	[illegible]	+⅛
Citicorp	2,106,000	[illegible]	+⅛
Pepsico	2,041,900	[illegible]	+⅛
Chipcom	1,996,700	[illegible]	+⅛
Triton	1,939,400	23⅞	+2⅞

TRADING ACTIVITY

† Volume Millions	July 12	July 11	July 10
New York SE	173.060	158.423	178.170
Amex	9.351	9.578	12.455
NASDAQ	155.467	140.025	171.609
NYSE			
Issues Traded	2,068	2,044	2,063
Rises	1,016	[illegible]	843
Falls	499	[illegible]	700
Unchanged	553	[illegible]	520
New Highs	76	[illegible]	76
New Lows	16	[illegible]	16

CANADA TORONTO

[illegible]

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · MALAYSIA · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA · SPAIN · SWEDEN · SWITZERLAND · TAIWAN · THAILAND · WORLD

[illegible]

TOKYO - Most Active Stocks

Monday 15 July 1991

	Stocks Traded	Closing Prices	Change on day
Clarion	5.0	1,130	0
Daikin Ind.	4.6	1,180	+70

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]15 pm prices July [illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	15	178	14⅞	14¾	14⅞	
18¾	14½	A L Labs A	0.16	0.01	18	182	16½	16	16⅜	+¼
55½	40⅞	AMP Inc	1.44	0.03	20	770	53¼	52⅞	53¼	+⅜
65⅝	44¼	AMR				192236	65¼	64¼	65⅜	+⅝
2⅝	1¼	ARX			1	177	1⅝	1½	1½	−⅛
58	41½	ASA	3.50	0.06	15	428	54⅜	53⅝	53¾	−⅛
54	39¼	Abbott Lab x	1.00	0.02	21	3326	51⅞	51⅛	51½	
14½	9⅞	Abitibi Pr x	0.50	0.04	26	10	13⅝	13⅝	13⅝	
11⅞	10⅜	ACM Gvt In x	1.26	0.11		1245	11⅛	11	11⅛	+⅛
9⅞	8¾	ACM GvOpp x	1.01	0.11		36	9⅛	9⅛	9⅛	
9¼	8¼	ACM Gvt Sp	[illegible]	0.11		171	9	8⅞	9	+⅛
11	9⅞	ACM G[illegible]	1.26	0.12		1784	10⅞	10⅝	10⅝	
8⅛	7⅝	ACM Man x	1.01	0.12		95	8¼	8⅛	8⅛	
12⅞	11½	ACM Mangd x	[illegible]	0.11		82	12⅛	12	12⅛	
7½	4⅜	Acme Cleve	0.40	[illegible]	14	40	6⅜	6⅛	6¼	+⅛
6	3½	Acme Elect			38	69	4	3⅞	4	+⅛
40	22⅞	Acuson			25	817	33⅞	32⅞	33⅝	+¼
18½	14¼	Adams Expr	0.73	0.04	0	142	16⅝	17⅞	18	
20¼	18	Adobe12Pf	2.40	0.13		46	18⅝	18½	18½	
9¼	6¾	Adobe Res			20	6	7	6⅞	6⅞	
38½	15	Ad Micro				19	39½	39	39½	+⅝
14¼	4⅝	Ad Micro P	3.00	0.22		156482	13½	13	13½	+½
5⅛	2¼	Advest Grp	0.16	0.04	6	123	4½	4¼	4⅝	
49¼	33⅞	Aetna LI	2.76	0.06	8	1312	42⅞	41¾	41⅞	−½
10⅝	6⅝	AHH A	0.24	0.03	35	423	8⅞	8¾	8¾	−⅛
20¾	12	Ahmanson	0.88	0.05	10	459	18	17½	17⅞	+⅜
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
54	40⅞	Bell Atlan x	2.52	0.05	13	869	46⅝	46⅜	46⅝	+⅛
13⅝	9⅞	Bell Indus	0.40	0.04	9	2	10⅛	10⅛	10⅛	
55	46⅞	BellSouth x	[illegible]	0.06	14	664	48¼	47⅞	48	−⅛
33¼	26⅛	Belo AH A	[illegible]	0.02	22	302	30	30	30	
41¼	26⅞	Bemis	[illegible]	0.02	17	132	34¼	34	34¼	+⅜
48¼	44	Benef 4.3P	[illegible]	0.09		z100	47½	47½	48¼	+½
61¼	40½	Benef	[illegible]	0.04	9	493	57	56½	56⅞	+⅝
16⅛	12¾	Benetton A	[illegible]	0.02	70	3	14⅛	14⅛	14⅛	−⅛
1½	¾	Benguet B			22	110	1⅛	1	1⅛	
8750	6550	Berksh Hwy			24	z100	8600	8550	8550	−50
19½	12¾	Berlitz	0.50	0.03	31	201	18	17⅞	17⅞	−⅛
16½	13	Berry Petr	0.60	0.05	16	40	13⅛	d13	13	−⅛
23	5¼	Best Buy			26	128	20	19⅞	20	−⅛
25	19⅞	Beth St 2	2.50	0.10		15	24⅞	24½	24⅞	+¼
59	37¼	Bethlhm Pf	5.00	0.10		3	49	49	49⅝	−⅛
18⅜	12⅛	Bethlhm St	0.40	0.02		21328	17⅜	17	17	−⅛
12⅞	7⅝	Beverly En			[illegible]	941	10⅞	10⅝	10⅞	
16½	13⅛	Biocraft			[illegible]	75	14	13⅞	13⅞	−⅛
18½	12⅝	Birmingm S	[illegible]	0.09	19	35	15⅞	15⅝	15⅞	
18⅞	8½	Black & D	[illegible]	0.02	21	1218	16⅛	[illegible]	15¾	−⅛
37⅝	29⅛	Black H PL	[illegible]	0.06	13	14	34⅝	[illegible]	34⅝	
10⅞	10	BlkstnAdv x	[illegible]	0.09		76	10½	10⅜	10½	+⅛
9½	8¾	Blackst In x	[illegible]	0.11		782	9⅛	9⅛	9⅛	−⅛
10⅝	9⅞	Blackst Tr x	[illegible]	0.09		602	10½	10⅜	10½	
60	39⅞	Block H&R	[illegible]	0.03	23	331	u60⅞	59⅞	60½	+⅝
16¼	7⅞	Blockbustr	[illegible]	0.12	20	1017	9½	9⅛	9⅜	+⅛
[illegible]										

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60¾	35¼	Xerox	3.00	0.05	10	770	65¾	[illegible]	[illegible]	
51	43¼	Xerox4.125				6	u51	50½	51	
21¼	14¾	Xtra 1.94				18	20¾	20½	20¾	
[illegible]	[illegible]	Xtra Corp	[illegible]	[illegible]		5	[illegible]	23¾	23¾	
34¾	[illegible]	Yankee Egy	[illegible]	[illegible]		170	[illegible]	[illegible]	[illegible]	
1½	[illegible]	Zapata			0	212	[illegible]	[illegible]	[illegible]	
9¾	6¼	ZenithElec			2	487	[illegible]	[illegible]	[illegible]	
18½	12	Zenith Nat	1.00	[illegible]	[illegible]	42	18¼	17¾	18¼	
9¾	4¾	Zenix Inc	0.90	[illegible]	[illegible]	231	[illegible]	6	6¼	
18¾	10¾	Zero Corp	0.40	[illegible]	[illegible]	169	14¾	14½	14¾	
41½	29½	Zurn Ind	[illegible]	[illegible]	[illegible]	217	[illegible]	35¾	35¾	
13¾	10¼	Zweig Fund x	[illegible]	[illegible]	[illegible]	349	12¾	12½	12¾	
10	8½	Zweig Tot! x	[illegible]	[illegible]	[illegible]	200	u10	9¾	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oliver	0.24	29	[illegible]	[illegible]	20½	20¾	+⅛
OMI Corp	0.14	14	[illegible]	[illegible]	6¼	6¾	+⅛
Pall Corp	0.44	27	716	[illegible]	35½	35¾	−¼
Pegasus G		9	[illegible]	[illegible]	13¾	14¼	+⅛
Perini		7	22	11	10¾	11	+¼
Pet HMP	[illegible]	12	4	10¾	10¾	10¾	+⅛

NASDAQ NATIONAL MARKET

3:15 pm prices July 15

AMERICA

Chemical, Manny Hanny advance on merger news

Wall Street

A SURPRISE [redacted] big banks and a [redacted] per cent rise in June industrial production failed [redacted] lift the [redacted] market out of its summer stupor yesterday morning. Share prices [redacted] in [redacted] at midsession, [redacted] *Patrick* [redacted] *in* [redacted] *York.*

[redacted] 1 pm the Dow Jones Industrial Average [redacted] up just 4.47 [redacted] 2,985.24. The more broadly b[redacted] Standard & Poor's [redacted] was also slightly firmer, up 1.34 at 381.59 [redacted] 1 pm, while the [redacted] posite of over-the-counter [redacted] was [redacted] higher at [redacted] on [redacted] NYSE [redacted] 91m shares by 1 pm.

[redacted] failure of [redacted] respond more positively [redacted] merger between Chemical Bank and Manufacturers Han[redacted] surprised analysts, who thought [redacted] the multi-billion dollar [redacted] the [redacted]

However, the [redacted] doldrums [redacted] established, and investors [redacted] reluc[redacted] in the market until corporate earnings showed signs of [redacted] real recovery.

Not surprisingly, the [redacted] the day [redacted] the banking [redacted] tor. Although analysts had been predicting [redacted] almost a year that a number of troubled big banking groups would [redacted] merge to survive, yesterday's [redacted] between Chemical and Manufacturers Hanover caught the *market on the hop.*

After [redacted] delay in the opening, both stocks [redacted] sharply higher on the news, Chemical advancing $2 to $25⅝ on heavy volume of 2.6m shares and Manny Hanny putting on $5⅛ to $28⅝ on 1.9m shares.

The share-swap merger between the two led to active buying of other bank [redacted] Chase Manhattan rose $1⅞ to [redacted] Citicorp [redacted] $14⅝, [redacted] P Morgan rose $1⅛ to [redacted]%, Bankers Trust gained $1⅝ to $52⅝ and [redacted] firmed $⅞ to [redacted]

Also on the way up, in spite of unremarkable earnings data, [redacted] *First Chicago, up $1* [redacted] *$24⅛, and NCNB,* [redacted] *higher at* [redacted] The latter is in merger [redacted] with C&S/Sovran, [redacted] south-eastern US banking [redacted] Reports that the [redacted] have been going smoothly lifted C&S/Sovran [redacted] to $24⅛.

Time Warner fell [redacted] to $88⅝ in active trading after the company unveiled its new rights offer at $80 a share, which will replace its original variable-price issue which had been opposed by shareholders and the authorities.

PaineWebber climbed $⅝ to $21¼ after reporting that second-quarter profits had more *than doubled to $33.8m.*

Analysts at Brown Brothers Harriman and PaineWebber lowered their 1991 and 1992 earnings estimates on Westinghouse Electric Corp, which slipped $¼ to $25¼.

Canada

TORONTO stocks crept higher in dull midday trading. The composite index was up 6.01 at 3,522.35 on volume of 8.2m shares. Declines led advances by 121 to 106.

Magna International, the auto parts maker, rose C$⅛ to C$14⅝ on hopes that its money troubles were over and that it was on the way to financial recovery.

Among [redacted] biggest losers, *Roman Corp, the holding com*pany, was down 90 cents at C$3 on volume of 17,700 shares and Cognos, the computer company, fell C$⅝ to C$19⅝.

EUROPE

Recovery in construction sector pushes Spain higher

BOURSES were little changed in quiet trading yesterday, *writes Our Markets Staff.*

MADRID rebounded [redacted] the previous [redacted] The general index added 2.46 or [redacted] 269.82, but turnover eased to [redacted] from Pta12.6bn.

[redacted] stocks, which fell [redacted] on [redacted] of [redacted] infrastructure spending, firmed. Uralita rose Pta80 to Pta1,740 and Dragados gained Pta60 to Pta2,410.

The [redacted] sector was strong. Telefónica rose Pta14 to Pta959 on moderate volume of 864,967 shares.

Amper, the telephone supplier, jumped Pta84 or 10.3 per cent to Pta900 [redacted] heavy volume [redacted] 120,350 [redacted] dealer, however, p[redacted] out [redacted] the [redacted] had traded within [redacted] Pta825-Pta835 range, in line with the market, before [redacted] put-through of 90,000 shares at Pta810 each. After that, a number of [redacted] trades had pushed the price higher.

FRANKFURT drifted as turnover collapsed from DM6.4bn to DM3.8bn. [redacted] DAX index closed 1.81 higher at [redacted] after a fall of 1.87 to 688.05 in the FAZ at midsession.

Two stocks performed particularly well in this [redacted] said Mr Matthias Welticke [redacted] Merck Finck [redacted] Düsseldorf. Veba, the utility group, emerg*ing from a period when going* ex dividend depressed the share price, [redacted] DM5.50 [redacted] turnover [redacted] DM296m put it second in the individual activity [redacted] around 12 compares with nearly 16 for its competitor, RWE.

Schering, the [redacted] most active stock in DM170m, gained DM11 [redacted] DM849 [redacted] a rise in the dollar strengthened pharmaceuticals prospects and, in the UK, Hanson's move on ICI reinforced the premium [redacted] of the [redacted]

Among carmakers, BMW put on DM7.50 to DM493; Mr Wiecking said that the company had significantly underperformed Daimler since April.

PARIS rose as Wall Street opened firmer. The CAC [redacted] index reco[redacted] from a low of 1,746.94 to [redacted] near the day's high at 1,759.77, up 5.48. Turn[redacted] remained thin after Friday's FFr1.7bn.

Hopes of an interest rate cut lifted financial stocks. Société Générale added FFr4.20 to FFr428 and UA[redacted] FFr16 to FFr543. Cetelem, the consumer [redacted] company, gained FFr16 or 2.4 per cent to FFr695.

[redacted] AGF fell [redacted] The insurer said it had bought 5 per cent in the partially privatised Irish Life, but denied reports that it was seeking [redacted] majority [redacted] in AMB of Germany.

MILAN sank in slow trading before the close of the July trading [redacted] today. The Comit index fell 2.98 to 564.28 in volume estimated at L100bn after Friday's L95bn.

Retailers [redacted] firm, with [redacted] adding L200 to L7,100. An analyst who visited the company recently said he *was recommending that his cli*ents buy the stock on weakness, [redacted] the company's earn[redacted] outlook had improved. He [redacted] growth in earnings from [redacted] profits coming from [redacted] commercial activi[redacted] particularly the growing number of hypermarkets, rather than asset disposal and financial [redacted]

AMSTERDAM [redacted] higher in thin trading. The CBS Tendency index rose 0.1 to 93.6 in turnover of Fl 3[redacted] Royal Dutch put on Fl 3 [redacted] a rise in its share price in [redacted] York on Friday.

Ahrend, the office equipment company, dropped Fl 9.5 or 5 per cent to Fl 162.50 [redacted] its warning late on Friday that 1991 trading profit would not [redacted] Fl 30.2m.

Aegon, the insurer, rose 40 cen[redacted] Fl 118.10. Salomon Brothers has issued [redacted] buy recommendation on the stock, citing its 35 per cent discount to the Dutch market, its high [redacted] of 6 per cent, and the management's commitment to improving shareholder returns.

ZURICH [redacted] off well, [redacted] and pharmaceuticals extending Friday's gains. But [redacted] mixed performance in Frankfurt caused [redacted] to lose [redacted] momentum, and the [redacted] Suisse index closed modestly firmer at 544.6, up [redacted]

COPENHAGEN'S bourse index rose 0.77 to another year's high of 379.74, led by key blue chips such as banks. Den Danske rose DKr4 to [redacted]

STOCKHOLM buying was confined to a few blue chips, and the [redacted] little changed. The [redacted] General index fell 2.0 to 1,144.8. Turnover shrank to [redacted] from SKr218m. Astra, the phar*maceutical group, was again in* demand; its free B shares rose SKr8 to SKr674.

HELSINKI'S [redacted] of seven [redacted] The [redacted] eased 7.2 [redacted] 975.8 in [redacted] trading of FM8m, [redacted] free [redacted] accounting for FM2.8m.

ISTANBUL fell 1.3 per cent in quiet trading. The 75-share [redacted]

FT-SE Eurotrack 100 - [redacted] 15							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	[redacted]	3 pm	[redacted]
1111.98	1111.18	1111.24	[redacted]	1111.48	1111.59	1111.87	1111.59
Day's High 1112.57				[redacted] Low [redacted]			

Jul [redacted]	Jul 11	Jul 10	Jul 9	Jul 8
1107.36	1109.88	1109.33	1102.41	1090.75

[redacted] (26/10/90)

Global equities take heart from Tokyo

MARKETS IN PERSPECTIVE	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1991	% change sterling † Start of 1991	% change in US $ † Start of 1991
Austria	+2.38	−6.26	−27.21	+8.66	+4.57	−10.62
Belgium	+0.12	−1.93	−9.16	+14.19	+12.07	−4.22
Denmark	+1.51	+4.85	+5.00	+28.54	+25.20	+7.01
Finland	+1.94	−8.13	−21.72	+8.79	+7.03	−8.53
France	+1.70	−4.81	−11.99	+14.73	+12.47	−3.88
Germany	+1.03	−3.65	−16.63	+14.12	+11.59	−4.63
Ireland	−3.02	−4.83	−17.44	+13.09	+10.70	−5.39
Italy	−0.24	−7.12	−24.19	+9.38	+8.34	−7.39
Netherlands	+0.03	−2.33	+0.95	+18.61	+16.11	−0.75
Norway	+1.59	+0.63	−13.09	+12.51	+10.62	−5.46
Spain	−2.09	−6.00	−11.81	+19.38	+18.42	+1.21
Sweden	+1.85	+3.50	−9.26	+38.74	+40.80	+20.33
Switzerland	+1.87	+0.90	−7.56	+24.07	+19.48	+2.13
UK	+0.46	−1.36	+4.13	+15.97	+15.97	−0.88
EUROPE	+0.62	−2.52	−6.17	+16.17	+14.88	−1.86
Australia	−0.32	+1.84	−3.08	+21.19	+41.40	+20.86
Hong Kong	+0.61	+7.68	+13.82	+33.37	+57.05	+34.23
Japan	+1.39	−5.90	−21.50	+4.12	+20.85	+3.28
Malaysia	−1.41	−4.80	−3.47	+9.62	+24.61	+6.50
New Zealand	+1.70	+3.55	−27.24	+16.99	+29.78	+10.90
Singapore	+0.36	−6.19	−9.90	+21.21	+40.92	+20.45
Canada	+0.81	−1.71	−1.08	+5.69	+25.01	+6.84
USA	+1.72	−0.50	+4.28	+15.48	+35.10	+15.48
Mexico	+3.43	+8.47	+119.84	+90.94	+118.78	+86.99
South Africa	−0.18	+4.39	+12.65	+25.88	+62.35	+38.75
WORLD INDEX	+1.26	−2.61	−7.81	+12.18	+25.55	+7.30

† Based on July 12th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities Ltd

By Jacqueline Moore

T[redacted] in Tokyo [redacted] world stock markets [redacted] impetus [redacted] week, although Europe's [redacted] were restrained by inter[redacted]

After two weeks of volatility in Japan – as scandals and resignations undermined investors' confidence in the Big Four brokerages – markets were relieved to see Tokyo regain some strength and stability. The FT-Actuaries Japan index recovered 1.4 per cent in local currency terms.

The US put on an even better performance. On most days last week the market was influenced by Japan at the start of trading, but domestic economic figures and the start of the quarterly earnings season occupied investors later in the session. Firm technology stocks restricted the market's losses during the first few days of trading, while a rising bond [redacted] helped [redacted]

Japan swayed trading in Europe too, [redacted] were also concerned [redacted] prospects for interest rates. [redacted] before the Bundesbank's meeting on Thursday [redacted] way to *relief* [redacted] *there was no rise* in [redacted] but this did not produce an enthusiastic rally. Even [redacted] UK, which [redacted] an interest rate cut on Friday, was only modestly higher, as the [redacted] had been discounted [redacted] previous week.

A couple of [redacted] to be reassured by Japan or the Bundesbank. The worst fall on [redacted] was in Ireland, [redacted] was depressed by the heavily weighted banking [redacted] Mr Robbie Kelleher [redacted] Davy's, the Dublin bro[redacted] He points out that, [redacted]ding the banks, the market [redacted] little changed on the [redacted]

The main depressant [redacted] the Bank of Ireland share price, which closed [redacted] almost 12 [redacted] lower. The stock [redacted] by [redacted] announcements, [redacted] Mr Kelleher: first, analysts [redacted] disappointed by [redacted] Governor's warning [redacted] *second-quarter trading* losses [redacted] subsidiary, First [redacted] Hampshire Banks, would [redacted] significantly dif[redacted] from [redacted] of [redacted] first quarter; secondly, [redacted] price fell after Mr Tony Ryan, the businessman, said that he had sold his 4.9 per cent stake in the bank.

Bank of Ireland's weakness dragged down other shares in the sector, with Allied Irish Bank falling about [redacted] per cent.

Mr Kelleher acknowledges that there are short-term risks in Dublin – notably the reliance of [redacted] Irish companies on [redacted] domestic, UK and US economies, and a drain on liquidity following the privatisation of Irish Life, the insurer – [redacted] he [redacted] that, on [redacted] fundamental basis, Dublin [redacted] value, especially in the industrial sector, [redacted] six [redacted] 12-month view.

Spain was [redacted] in poor spirits last [redacted] Fears [redacted] a cut in infrastructure spending, [redacted] weak bond [redacted] and [redacted] last Friday's inflation figure all [redacted] confidence.

On the upside, the European leaders last week were two of [redacted] laggards, [redacted] and Finland. Even after last [redacted] gains, they remain the worst performers [redacted] in the FT-Actuaries World Indices, after Japan and Canada.

ASIA PACIFIC

Rising futures and stronger yen lift Nikkei

Tokyo

SHARE prices turned higher yesterday, helped by a rise in the futures markets and a stronger yen, *writes Emiko Terazono in Tokyo.*

The Nikkei average added 321.26 to 23,459.04 after opening at the day's low of 23,193.94 and reaching a high of 23,522.80 in the afternoon.

*Light arbitrage-related buy*ing added to the rise in the index, but volume remained low at 220m shares.

The four-day suspension of corporate operations for the Big Four brokerages – Nomura, Daiwa, Nikko and Yamaichi – ended yesterday. Market share for the four securities houses remained low at 13.5 per cent.

Gainers led losers by 838 to 131, with 135 issues remaining unchanged. The Topix index of all first section issues put on 24.13 to 1,829.66, and in London, the ISE/Nikkei 50 index rose 1.63 to 1,404.83.

The sharp rise in the yen against the dollar triggered renewed hopes of further monetary easing. The yen closed at Y137.00, up Y1.78 from Friday.

Bond prices also reacted to the yen, and yields on the 129 10-year benchmark finished at 6.720 per cent, down from Friday's 6.765 per cent.

Investors picked up incentive-backed issues and speculative stocks, anticipating that the Big Four brokerages might become sellers of the large-capital issues today.

Kitano Construction, the Nagano-based construction company which surged on the [redacted] 1998 Winter Olympic Games will be *held in Nagano prefecture,* rose [redacted] to Y2,440. The issue has [redacted]en placed on the Tokyo Stock Exchange's watch list [redacted] to [redacted] volatile price [redacted]

Sata Construction, also [redacted]pected to benefit from the [redacted]gano Olympics, surged by its daily limit of Y200 to Y1,370. [redacted] some investors [redacted] from [redacted] into Sata.

Takuma, a boiler maker, also rose by its daily limit of Y200 [redacted] Y1,290. Rumours of price manipulation by speculators who held the stock as collateral added [redacted] share's popularity.

Fukusuke, the underwear maker and speculative favourite, did not trade due to the [redacted] of buyers, [redacted] offered [redacted] Y6,260. [redacted] were discouraged by rumours that speculators, who had previously cornered the stock, had convinced the company to buy back their holdings at Y3,500.

International blue chips, bought by foreign investors last week, were mixed. The recent rise has made the issues less unattractive to foreigners on the look-out for cheap *stocks. NEC rose Y10 to Y1,480,* but Toshiba fell Y1 to Y758.

In Osaka the OSE average gained 240.29 to 26,160.59 on volume of 11m shares. Textiles, machineries, and electricals gained on small-lot buying. Nintendo, the video game maker, rose Y300 to Y13,200.

Roundup

TOKYO'S rise did little to encourage trading on several Pacific Rim markets as the summer holiday season began.

HONG KONG failed to hold a record high reached in early trading. The Hang Seng index breached the previous all-time [redacted] on October 1 1987, to hit 3,958 on expec[redacted] property boom following [redacted] airport [redacted] 3,945.12, up [redacted] in [redacted] HK$1.78bn.

SYDNEY [redacted] takeover bid for Petersville Sleigh, [redacted] and forestry company associated with the [redacted]d Adsteam group, by [redacted] Dunlop, [redacted] rubber, [redacted] parts manufacturing, and con[redacted] products [redacted] Dunlop is bidding A$1.15 for all of Petersville Sleigh, valuing it [redacted] A$374m. Petersville Sleigh [redacted] A$1.18, up 30 cents, while [redacted] Dunlop fell [redacted] A$5.18. The All Ordi[redacted] index closed [redacted] 1,539.2, up 7.3, [redacted] of A$113m after A$240m.

TAIWAN tumbled in spite of Saturday's [redacted] in the rediscount rate. The weighted index surged 62 points in the first 10 minutes of trading, hitting a high of 5,474 but then dropped [redacted] sellers [redacted] The index closed 129.04 or 2.4 per [redacted] at 5,283.19, the day's low [redacted] April [redacted] Turnover rose [redacted] T$24.66bn from [redacted]

NEW ZEALAND [redacted] as evi[redacted] slowing inflation kept [redacted] for [redacted] inter[redacted] optimistic. But [redacted] by [redacted] fall in [redacted] Challenge. The [redacted] 4.71 higher [redacted] 1,492.01 [redacted] drifting down from an intraday high of 1,496. Turnover [redacted] *NZ$14.8m from NZ$26.8m.*

Fletcher Challenge initially [redacted] higher but [redacted] hit by steady selling in small blocks. [redacted] lower [redacted] on [redacted] shares.

SINGAPORE fell in slow trading. [redacted] Straits Times Industrials Index [redacted] 1,463.84, down 4.91, in turnover of S$73.53m after S$55.81m.

Cycle & Carriage, which distributes Mercedes Benz, Mitsubishi and Malaysia's Proton Saga cars, gained 10 cents to S$5.70 on speculation that Malaysian Edaran Otomobil Nasional, Malaysia's national car distributor, will take a substantial stake in it.

MANILA finished higher in thin trading. Investors were sidelined ahead of a three-day national strike planned this week for lower petroleum prices and a reduction in the import levy. The [redacted]posite index advanced 3.66 to 993.91 but turnover fell to 60.4m pesos from 161.5m.

SEOUL [redacted] driven upwards by buying of trading, construc*tion and financial shares but* then fell [redacted] in mid-afternoon. The composite index closed [redacted] 635.21, down 1.29, in turnover of Won383bn, up from [redacted]

KUALA LUMPUR ended lower in thin trading in spite of a brief bout of bargain-hunting [redacted] close. [redacted] composite index fell 4.35 to 594.25 in volume of 27.8m shares against 28.6m.

BOMBAY fell on profit-taking, triggered by rumours that the government would raise rail freight and fares today. The BSE index fell 34.50 or 2.4 per cent to 1,407.35, after rising strongly last week.

SOUTH AFRICA

JOHANNESBURG recovered as a weaker financial rand and bargain-hunting halted the correction [redacted] at [redacted] end [redacted] last week. [redacted] all-share index [redacted] 33 to 3,442 and the all-gold index 26 to 1,384. The industrials added 27 to 3,975.

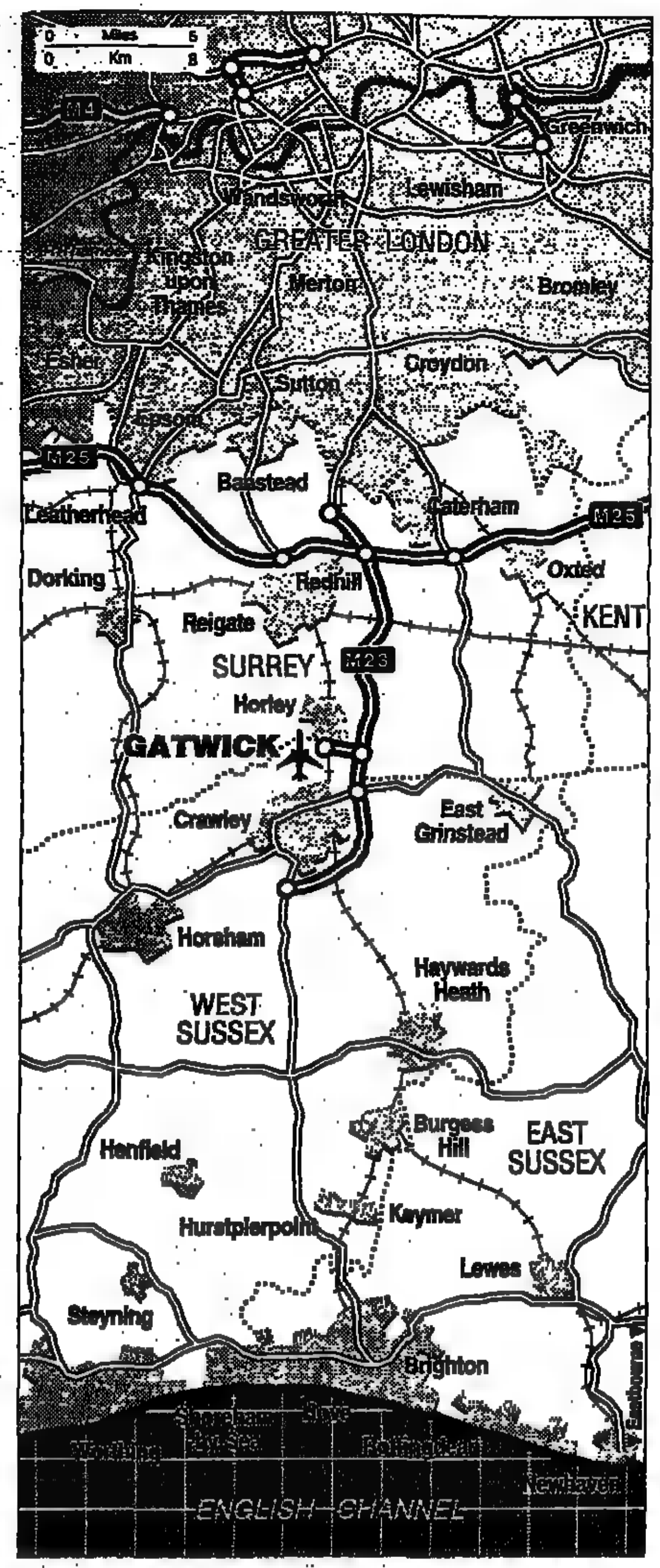
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, [redacted] & Co., and County [redacted] Mackenzie in conjunction with [redacted] Institute of [redacted] and [redacted] Faculty of [redacted]

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	[redacted] JULY [redacted] 1991 US Dollar Index	Day's [redacted] %	Pound Sterling [redacted]	Yen Index	DM [redacted]	Local Currency [redacted]	Local [redacted] on day	Gross Div. [redacted]	THURSDAY [redacted] 11 [redacted] US Dollar [redacted]	Pound [redacted] Index	Yen [redacted]	DM Index	Local Currency [redacted]	DOLLAR [redacted] 1991 High	1991 Low	Year ago [redacted]
Australia (69)	142.68	+0.2	128.24	[redacted]	132.71	[redacted]	−0.2	5.21	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Austria (20)	175.75	+0.4	[redacted]	[redacted]	[redacted]	166.21	−0.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	222.37	167.00	271.74
Belgium (49)	126.64	+2.2	113.83	[redacted]	117.79	115.24	−0.1	[redacted]	[redacted]	114.22	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	152.39
Canada (115)	138.93	+0.4	124.87	120.09	129.21	115.49	+0.3	[redacted]	[redacted]	127.54	[redacted]	[redacted]	[redacted]	[redacted]	128.49	140.47
Denmark (37)	248.93	+2.5	[redacted]	215.19	231.53	234.97	+0.3	1.50	[redacted]	223.90	212.75	231.65	234.16	270.56	217.74	285.10
Finland (16)	94.34	+2.0	[redacted]	81.55	87.75	85.36	+0.2	2.82	[redacted]	85.22	80.97	[redacted]	85.21	[redacted]	90.00	134.61
France (113)	126.64	+2.5	113.83	[redacted]	117.78	[redacted]	+0.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	120.60	160.02
Germany (65)	106.72	+3.2	95.92	92.27	99.26	99.26	+0.7	[redacted]	103.37	95.26	90.54	[redacted]	[redacted]	125.35	102.03	139.49
Hong Kong (55)	163.50	+0.7	146.95	141.33	152.08	[redacted]	+0.7	4.26	162.31	149.61	142.15	[redacted]	161.84	[redacted]	[redacted]	144.49
Ireland (18)	140.46	+1.1	126.25	121.42	130.64	[redacted]	−0.9	3.84	139.95	128.07	121.69	[redacted]	134.24	[redacted]	[redacted]	187.47
Italy (77)	72.52	+2.2	65.18	62.69	67.45	[redacted]	+0.0	3.24	70.97	65.42	62.15	[redacted]	72.19	[redacted]	70.54	106.00
Japan (474)	128.86	+1.6	115.82	111.39	119.87	[redacted]	+0.3	0.76	[redacted]	116.67	111.05	[redacted]	[redacted]	[redacted]	[redacted]	153.15
Malaysia (68)	225.92	−0.4	203.06	195.29	210.13	[redacted]	−0.6	2.72	226.80	209.04	198.62	[redacted]	243.44	247.78	192.83	244.58
Mexico (16)	1092.84	+0.4	982.25	944.67	[redacted]	3603.07	+0.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1092.84	534.45	623.24
Netherland (31)	132.96	+1.8	119.50	114.93	[redacted]	[redacted]	−0.6	4.36	[redacted]	[redacted]	114.37	124.49	[redacted]	[redacted]	125.70	145.61
New Zealand (13)	48.14	−0.7	43.27	41.62	[redacted]	[redacted]	−0.7	7.71	48.48	44.68	42.46	46.21	45.80	54.84	41.18	[redacted]
Norway (32)	193.12	+2.1	173.58	[redacted]	179.62	[redacted]	+0.1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	249.29
Singapore (38)	191.84	−0.1	172.42	[redacted]	178.42	[redacted]	[redacted]	2.21	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	209.25	[redacted]	207.57
South Africa (61)	253.76	[redacted]	228.08	[redacted]	236.01	171.46	−1.5	[redacted]	[redacted]	235.74	223.88	[redacted]	[redacted]	[redacted]	173.00	178.12
Spain (55)	142.02	[redacted]	127.65	[redacted]	[redacted]	[redacted]	+1.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	171.12	131.51	[redacted]
Sweden (26)	191.87	+1.8	172.46	165.86	178.47	184.20	−0.4	[redacted]	[redacted]	[redacted]	165.14	179.74	[redacted]	[redacted]	146.80	280.52
Switzerland (58)	90.82	+3.5	81.63	[redacted]	[redacted]	[redacted]	[redacted]	2.21	[redacted]	80.85	[redacted]	[redacted]	[redacted]	100.67	[redacted]	109.77
United Kingdom (240)	164.21	+2.1	147.60	141.94	152.72	147.60	−0.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	167.44	158.27	173.29
USA (526)	153.94	+0.8	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	3.14	[redacted]	[redacted]	[redacted]	145.52	[redacted]	158.24	125.95	148.34
Europe (837)	132.03	+2.4	[redacted]	114.13	[redacted]	121.25	+0.0	3.93	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	151.52	125.50	155.05
Nordic (111)	184.77	+2.1	[redacted]	159.72	171.85	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	172.46	[redacted]	200.81	155.55	215.67
Pacific Basin (717)	130.12	+1.5	[redacted]	112.48	[redacted]	[redacted]	[redacted]	1.11	[redacted]	118.17	[redacted]	122.21	112.77	145.92	117.86	152.61
Euro – Pacific (1554)	131.20	+1.9	117.93	113.41	122.08	[redacted]	+0.2	[redacted]	[redacted]	118.72	[redacted]	[redacted]	[redacted]	147.69	121.29	154.01
North America (641)	152.93	[redacted]	[redacted]	132.21	142.26	151.35	+0.8	[redacted]	151.69	139.81	[redacted]	[redacted]	[redacted]	157.04	125.91	147.76
Europe Ex. UK (597)	112.61	+2.7	101.22	[redacted]	104.76	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	129.80	106.85	142.57
Pacific Ex. Japan (243)	142.46	+0.2	[redacted]	[redacted]	132.51	127.97	+0.0	[redacted]	142.12	[redacted]	[redacted]	[redacted]	[redacted]	145.88	111.40	145.34
World Ex. US (1746)	133.33	+1.7	119.84	115.26	124.02	[redacted]	+0.1	[redacted]	131.04	[redacted]	114.78	[redacted]	[redacted]	148.16	122.32	154.01
World Ex. UK (2032)	136.88	+1.3	123.03	[redacted]	[redacted]	127.77	+0.5	[redacted]	[redacted]	[redacted]	118.31	[redacted]	127.14	145.77	120.06	146.85
World Ex. So. Af. (2211)	138.51	+1.4	[redacted]	119.75	[redacted]	[redacted]	+0.4	2.60	[redacted]	125.86	[redacted]	130.17	[redacted]	148.66	122.92	150.67
World Ex. Japan (1798)	146.12	+1.3	131.34	126.32	[redacted]	[redacted]	+0.4	[redacted]	144.24	[redacted]	[redacted]	[redacted]	[redacted]	152.83	126.69	151.14
The World Index (2272)	139.28	+1.4	125.19	[redacted]	[redacted]	129.67	+0.4	2.61	[redacted]	[redacted]	[redacted]	130.93	[redacted]	149.01	123.28	[redacted]

Constituent change 15/7/91: Name change: Canadian Packers to Maple Leaf Foods (Canada). Latest prices were unavailable for this edition.

GATWICK BUSINESS REGION



Gatwick Airport's image may be a little like that of the No 2 car hire company, which "tries harder". But it is already the world's fourth largest international airport and the signs are that once the recession is over, demand for labour in the area will recover, reports Stewart Dalby

The upwardly mobile airport

AVIS, the hire car company, despairing of overtaking Hertz, the US-owned market leader, [illegible] hit upon the brilliant marketing stratagem of saying: "Because [illegible] [illegible] second, [illegible] try harder".

There must have been times in the past decade when Gatwick airport felt like saying that. Try as it did, Gatwick never could quite shake the feeling that it [illegible] not truly a London airport, [illegible] [illegible] [illegible] in the middle of nowhere, and that it was [illegible] "charter" or cut-price holiday airport.

In short, it was seen as second best to London's Heathrow airport [illegible] [illegible] upmarket scheduled airlines went.

Gatwick is still smaller than Heathrow, but it need hardly [illegible] any sleep over its image. It has grown beyond all expectations. More than 20m passengers [illegible] through each year and [illegible] is [illegible] [illegible] fourth largest international airport in the [illegible] when reckoned in [illegible] of passenger throughput. Around [illegible] per cent of its business is scheduled flights.

[illegible] the new north terminal completed, Gatwick will have a notional capacity of 30m passengers [illegible] year by the year 2000, even if a second runway [illegible] not built. [illegible] [illegible] London, by train [illegible] least, [illegible] [illegible] than from Heathrow.

Like Heathrow, Gatwick airport has been the engine in the growth of [illegible] dynamic business region in the towns around it.

Gatwick Airport Ltd has 2,300 employees but the airport is responsible for 23,000 jobs or a third of all the jobs in nearby Crawley.

Crawley – one of the second generation of eight new towns set up in 1946 after the second world war to take overspill population – was the only one to be established in the south-east. It attracted so-called metal bashing industries in the 1950s and 1960s. Most, but not quite all, had gone by the time of the industrial shake-out of [illegible] early [illegible]

The last of the metal bashing companies, APV, has [illegible] back recently. They have been replaced not just by companies directly related [illegible] the airport, such as caterers, freight-forwarders and insurance companies, but also [illegible] new high technology concerns.

[illegible] has [illegible] population of 87,000 but [illegible] [illegible] around [illegible],000 jobs in good times, so it attracts a significant number of commuters. At the height of the 1980s boom, Crawley's unemployment rate was 1.5 per cent, thought [illegible] have been the lowest in the country.

Yet anyone visiting Gatwick and its business area at the moment could hardly fail to notice the rash of "To Let" signs in Crawley and that the airport has been having a sluggish time because of the drop in business over the Gulf war and recession in the UK and elsewhere. Nowadays, the busiest columns in the local newspaper seem to be for "Jobs Wanted".

There are reports of closures and business failures. Unemployment, 3.6 per cent last year, has risen to 5.1 per cent. The problems of the leisure group Intasun and its related Air Europe have made a signif*icant addition to the jobless* total.

Rediffusion Simulation, which makes flight simulators and is the kind of concern which epitomises the new high technological nature of manufacturing in Crawley recently announced it was making 600 workers redundant at its plant in the town. This would reduce the company's Crawley workforce to around 2,000.

But underneath the current gloom there is the knowledge that once the recession passes, Crawley and the other towns around in West Sussex and to

Gatwick [illegible] still smaller than Heathrow, but it need hardly lose any sleep over its image. More than 20m passengers pass through each year and it [illegible] now the fourth largest international airport in the world. Around [illegible] per cent [illegible] its business [illegible] scheduled flights

some extent Surrey and East Sussex will be under heavy development pressure.

Before the economy slowed down companies showed every interest in moving into the area, even though there was hardly spare labour and industrial land prices had risen to over £1m an acre.

It is not just Crawley which has been affected by Gatwick. If Croydon to the north, Horsham to the west, Haywards Heath and East Grinstead to the east and Brighton to the south are incl[illegible] then Gatwick has [illegible] travel-to-work population of more than 200,000.

Other towns in West Sussex, such as Horsham, Burgess Hill and East Grinstead, have developed business parks and attracted companies. All have come under similar strain to Crawley.

In 1990 a national survey by Newcastle University examined the economic performance of a number of towns throughout the country. Out of the 280 towns Horsham was adjudged to be No 1 in terms of economic activity and prosperity. The findings took into account unemployment rate, duration of employment, house prices, population and business [illegible]vices.

These towns closest to Gatwick differ from Crawley in two respects. They are not as *big. Their populations are* around 30,000. They also have higher services [illegible]ployment. Crawley is unusual in the south-east in [illegible] its workforce, broadly defined, is 25 [illegible] cent in the manufacturing [illegible]tor. Manufacturing in the other West Sussex towns is typically 17 to 18 per cent.

The county council and various districts councils are anxious that the mid-Sussex area around Gatwick does not become one great urban sprawl. So far, the small towns have been kept from coalescing by strategic gap policies in West Sussex County Council's structure plans and by the High Weald area of outstanding natural beauty.

But a past environment secretary has said that there should be [illegible] new business park in the vicinity of Gatwick and Crawley. Already, enough proposals have been produced virtually to surround Crawley. There is to be a public inquiry soon into five of them. Other business parks are proposed south of Horsham and at Burgess Hill. One north of Horsham is being developed.

There has been increasing local resistance to development on this scale. Large new business parks and the housing that these entail might outstrip the capacity of the local infrastructure. Once the recession is over, there would also be a strain on the supply of skilled labour. The newly established Training and Enterprise Council is trying to address this issue.

The county and district authorities realise, however, that they must make some land available, for otherwise developers can appeal to the secretary of state for the environment. In Berkshire along the M4 corridor the department was usually sympathetic to developers who were creating jobs.

Projects were often given the green light on appeal, despite local opposition. The result was ribbon development.

The county council has submitted a replacement structure plan which envisages 27,000 new houses in the three districts of Crawley, Horsham and mid-Sussex between 1990 and 2006. That would be an increase of 21 per cent on the 1989 figure.

Another proposal is that 840,000 sq metres (9m sq ft) of business floorspace should be built over the same period.

These plans would mean a much smaller business park in Crawley, for example, than the environment department has in mind.

West Sussex County Council also plans to allow 700,000 sq metres (7.5m sq ft) of industrial floorspace to be built in the coastal districts of Adur, Arun, Chichester and Worthing by 2006. There are also proposals for 28,600 new dwellings in these districts by then.

Despite all this, however, it will remain a moot point whether this amount of building, together with the related activity, roads and infrastructural access, can [illegible] place without destroying the charac[illegible]

With [illegible] [illegible] [illegible]ing [illegible] overheat again when times improve, [illegible] Sussex sees a great opportunity for itself to benefit from an [illegible]sion of the Gatwick business area. Unlike Heathrow, Gatwick has not spread its influence very far around it.

IN THIS SURVEY

Brighton: the emphasis is shifting to the conference centre and industry

Lewes in East Sussex: still hoping to reap the benefits *from Gatwick Airport*

Editorial production
Gabriel Bowman

How East Sussex might gain more from the airport

The fall-out from growth

EAST SUSSEX feels it has not benefited very much from having Gatwick airport so close. The airport is, after all, closer *to Lewes, the East Sussex* county town, than it is to Chichester, the West [illegible] counterpart. Yet most of the air*port-related activity is in West* Sussex.

Unlike Heathrow, whose ripple effect has spread as far as Bristol or perhaps even Cardiff, Gatwick's business [illegible] has not truly grown beyond Crawley and a few [illegible] small towns.

Brighton and Eastbourne, for example, have not [illegible] white-collar, service industries on anything like the [illegible] of Bristol [illegible] Swindon, even though [illegible] gained conference business. Brighton [illegible] only 25 miles from Gatwick, *the same distance as the air*port from central London.

Part of the reason is the poor infrastructure. Unlike the M4, which runs right from London [illegible] Cardiff and beyond, [illegible] M23 [illegible] not start until well outside London and peters out seven miles sou[illegible] [illegible] Gatwick. From then on, it becomes a twisting, winding,"A" road. Communications across [illegible] county from east to west are very poor.

These problems are [illegible] being addressed. The A23 [illegible] being widened [illegible] straight-[illegible] The [illegible] by-pass around Brighton [illegible] completed, and there [illegible] plans [illegible] the A27 from Lewes to Polegate [illegible] dual carriageway. Polegate [illegible] also to get [illegible] bypass. Travelling by train in a [illegible] direction can [illegible] lengthy, protracted [illegible], but British Rail is said to be looking at improving [illegible] along the south coast.

With greater accessibility, East [illegible] get more inward investment. [illegible] ern part should benefit from its proximity to [illegible] greater extent than it has done in [illegible] past, and the [illegible] half should gain when [illegible] Channel [illegible] nearby in Kent in [illegible]

Contrary to popular [illegible] Sussex [illegible] the poorest [illegible] the 11 [illegible] in Serplan, [illegible] government's regional plan for the south-[illegible] With an elderly population [illegible] disposable income in some parts of the county. With 23 per cent of the population [illegible] age, [illegible] one [illegible] a half [illegible] the national average of elderly people.

But [illegible] little industry [illegible] there is – tourism, [illegible] – tends [illegible] pay low wages. Average male full-time earnings [illegible] sex at £267 a week [illegible] 1990 were [illegible] in [illegible] They compared with a regional average of £344 a week and a national [illegible] of [illegible] a week.

Brighton's unemployment rate late last year was 8.3 per cent, but [illegible] is almost certainly higher [illegible]. [illegible] parts of Brighton have male unemploy[illegible] of over 15 per cent. Hastings is in a similar situation.

Against this, costs in [illegible] county, particularly housing costs, can be high. [illegible] county suffers from a lack of building [illegible] Lewes and Brighton are [illegible] in point. Hemmed in [illegible] South Downs, [illegible] room [illegible] new [illegible] without affecting [illegible]

The county [illegible] in Lewes and the district [illegible] Brighton, [illegible] Hastings all want to bring in new businesses that will add value and upgrade jobs.

Ms Ann Crichton, the chief [illegible] of the Federation of Sussex Industries, feels it is imperative that new invest[illegible] be [illegible]

"If you [illegible] something, you just [illegible] and end up with excessive demand on [illegible] a low [illegible] economy with too many dependents," she says.

As with housing, the lack of land has been a [illegible] in [illegible] past [illegible] Large parts [illegible] Sussex, including [illegible] Downs, [illegible] coastal area and [illegible] Ash[illegible] of outstanding natural beauty. Nobody [illegible] see fac[illegible] despoil them.

But like the infrastructure, the land problem is being tack[illegible] The county [illegible] are making [illegible] available. A 150-[illegible] park [illegible] being planned at Eastbourne. There is also further land on tap at [illegible] marina development in Eastbourne.

Brighton, although physically hemmed not just by the Downs on one side but also by [illegible] on the other, [illegible] that 1.6m [illegible] ft [illegible] office space could [illegible] available by [illegible] 2000. This [illegible] equivalent to [illegible] third of [illegible] existing [illegible]

Unlike Crawley, say, Brighton has a pool of labour [illegible] the econ[illegible] buoyant. It also has a large catchment area of labour from which [illegible] draw, with towns like Worthing [illegible] by and easily commutable.

The county council [illegible] to capitalise on [illegible] county's academic corridor. [illegible] *that* along [illegible] A27 between Brighton [illegible] Lewes there is both a university [illegible] polytechnic. The county council is trying to make sites available along [illegible] that high technology companies can lock into [illegible] educational establishment for skilled labour as well as benefit from research and development facilities in [illegible] general sense. There is [illegible] some land available at the university itself, although it seems the university wants to use this for companies involved in specific research projects.

Brighton and Eastbourne also have many language schools. There is scope here, it is felt, for going up[illegible] At the moment most teach schoolgirl English to French schoolgirls. The idea is to set up schools that would teach Japanese "businessmen English".

Mr Robin Beechy, chief executive of [illegible] East Sussex *County Council says:* "We have not benefited from Gatwick [illegible] might [illegible] done. We are now positioning ourselves [illegible] *that* when the [illegible] ends [illegible] some [illegible] the fall-out from [illegible] growth predicted for Gatwick.

"We are only down the road; we are very close to Europe. The economies around Gatwick usually overheat in boom times. We have the labour and will have the land."

Stewart Dalby

BRIGHTON

It's not just tourists

IF East Sussex as a whole feels it has not done as well as it might have [illegible] Gatwick, Brighton, the largest [illegible] county, [illegible] particularly [illegible] have [illegible]

The proximity of the airport – [illegible] Brighton, halfway between London and the coastal town – has almost certainly contributed to Bright*on's conference business.*

In the past 20 years Brighton [illegible] so-called bucket and spade holidays into conferences [illegible] other "short break" tourism. This has extended [illegible]

[illegible] Brighton [illegible] centre was [illegible] some [illegible] and is being enlarged [illegible] cost of £3m. Already, it can [illegible] 5,000 people. [illegible] Dome concert hall can hold 2,000 and the Metropole Hotel 1,800 people for conferences. And other first-class hotels, such as the Grand and the Hospitality Inn, [illegible] be [illegible] in [illegible]

Mr Martin Sirk, director of conferences at the district council, estimates that [illegible] *ences are worth about £60m a* year to Brighton. He says [illegible] the proximity of Gatwick [illegible] helped to build up the business. He expects to see more conferences attended by people from abroad as the EC internal market devel[illegible] 1993.

Overseas [illegible] gates spend more per head in East Sussex than they do in [illegible] Figures supplied by the [illegible] County Council show that in Kent in 1989 a total [illegible] 3.1m visitors spent £188m, while in East Sussex 1.8m visitors spent £156m. Overseas tourists of 720,000 in Kent spent £126m while 500,000 incomers from abroad in East Sussex spent £135m.

This higher spending in East [illegible] almost certainly [illegible] Americans [illegible] rich Europeans arriving [illegible] Gatwick [illegible] visiting Brighton or [illegible] Kent, on the other hand, received thriftier, economy-style tourists arriving on [illegible] France.

[illegible] apart, however, Brighton [illegible] county [illegible] they [illegible] attracted enough [illegible] investment. The towns near Gatwick, particularly Crawley, have filled up with new businesses in the past decade, but the flow [illegible] new [illegible] has [illegible] *extended as far as the coast.*

The ripple effect of Heathrow airport [illegible] spread as far as Bristol [illegible] Slough, Reading [illegible] Swindon [illegible] of other places off the M4. Why [illegible] Gatwick's growth [illegible] much [illegible]

Three myths that have held back the town's business growth

The obvious answer is the M23. The motorway does not run *as* [illegible] as Brighton. [illegible] peters out some seven miles south of the airport. Thereafter it is the A23 which winds down *to the coast.*

This road is now being widened and straightened and a A27 by-pass is being built around the town from east to west. But in the past Brighton was like the thin end of a funnel, with traffic pouring from a wide arc into a small opening.

Obviously, Brighton has [illegible] and other constraints on new [illegible] but in addition Mr Paul Bevan, the town's economic development o[illegible], feels that it has been the subject of three myths.

■ The first is that Brighton is just a tourist town. In fact, only 11 per cent of the work[illegible] is [illegible] in tourism. There are major service sector employers [illegible] American Express and the TSB. There is [illegible] some industry on two business [illegible] There is quite a large "culture" industry, with one of the largest annual arts *festivals.* Besides a university and polytechnic just out[illegible] town, Brighton has a college [illegible] produces graduates for [illegible] design [illegible]

■ The second myth [illegible] Brighton is a dormitory town for places [illegible] Crawley. In [illegible] the town has a population of 144,000 with 9,000 people commuting [illegible] day and *15,000 people commuting in.*

■ The third misapprehension is that the town, sandwiched as it [illegible] and [illegible] with [illegible] fine listed buildings [illegible] be touched, [illegible] already [illegible] capacity.

In fact there are plans to [illegible] 1.6m sq ft of office and light industrial space by early in the [illegible] century. This would add a third to the stock of B1 [illegible] industrial space. [illegible] could [illegible] 15,000 new jobs, of which half would be office or service-type jobs.

It is not clear whether all the projects being looked at will go ahead because of the recession. [illegible] particularly in the area *around* the *station, seem* firm commitments.

Mr Bevan admits [illegible] something will have to be done about traffic problems and parking. [illegible] fear of congestion, because of the compactness [illegible] the town, has deterred developers before.

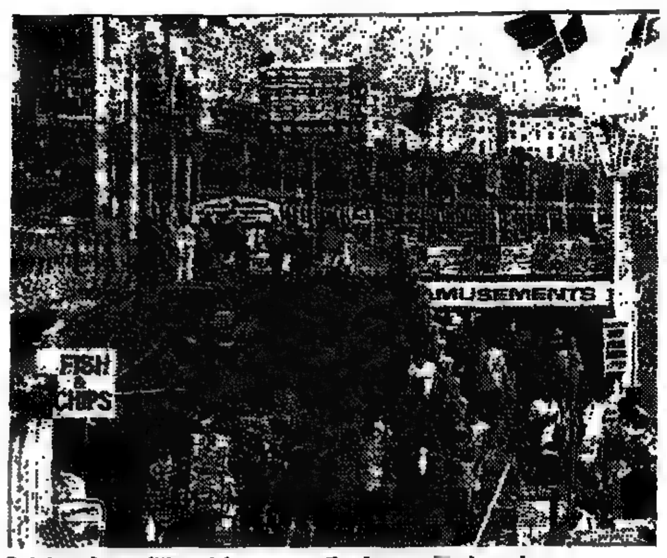
All kinds of park-and-ride schemes are being looked at. There is [illegible] for these schemes using trains. The [illegible] network into Brighton comes not just from the north but also from the east and west along the coast.

The district council is keen [illegible] change [illegible] town's image [illegible] investment and businesses.

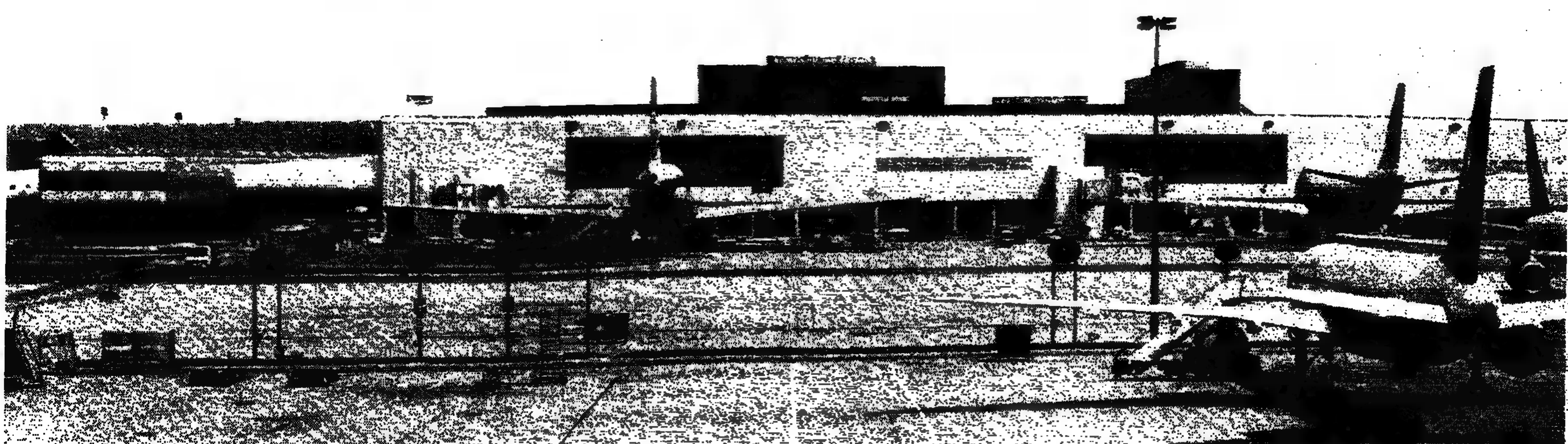
In [illegible] past the town [illegible] been at odds with the county authorities [illegible] county [illegible] to [illegible] investment [illegible] it perceived as more needy parts of the county, [illegible] Hastings and Eastbourne, where land for development is av[illegible]

[illegible] with the recent publication [illegible] management consultants' report commissioned by [illegible] County Council, the Brighton [illegible] and the county authorities [illegible] they have similar problems. They [illegible] working more closely together [illegible] develop Brighton's image as something more [illegible] a renowned tourist town.

Stewart Dalby



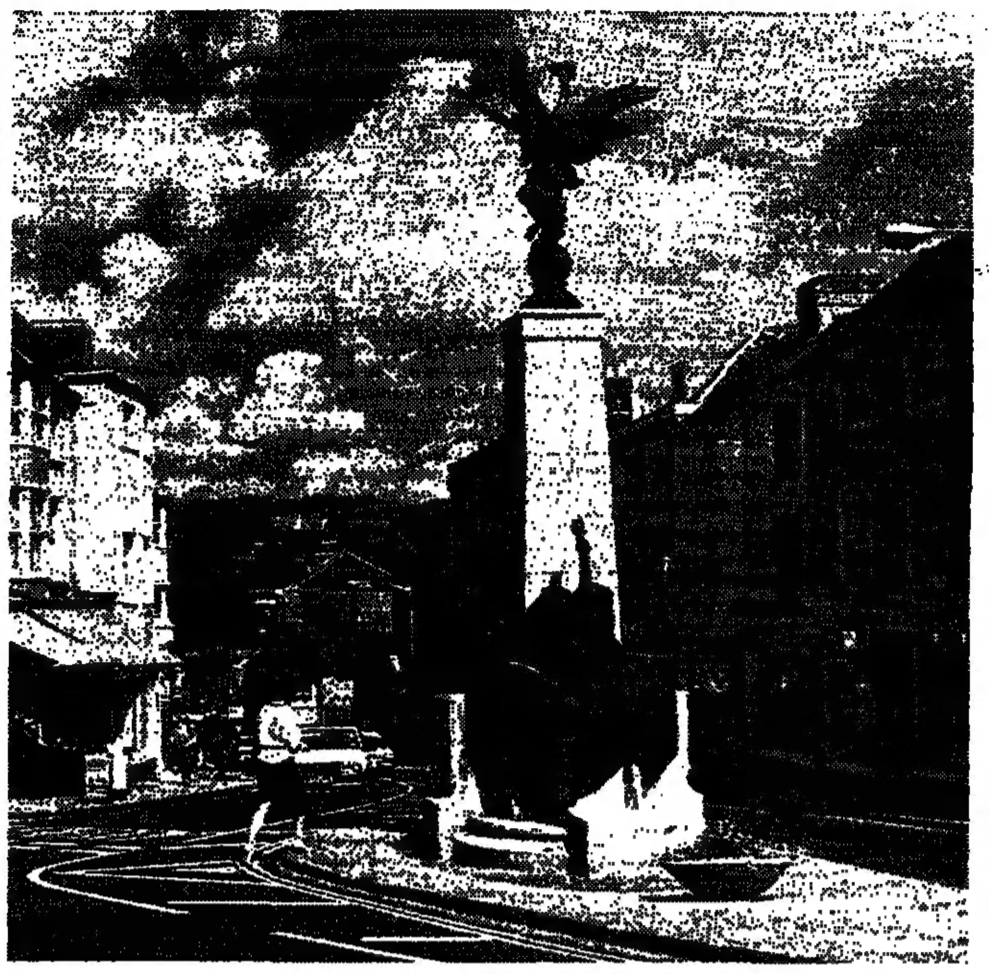
Brighton's traditional face; now the image [illegible] changing



GATWICK BUSINESS REGION 3

Tim Burt assesses the varying degrees of impact on the surrounding towns

Airport's 'pulling power' may be reduced by downturn



(Above) The 15th-century Herstmonceux Castle, 35 miles from Gatwick Airport and (right) the county town of Lewes in East Sussex - which may not have benefited from the airport as much as towns in West Sussex

A DEPENDENCY, according to Baillière's Medical Dictionary, is "the physical or psychological reliance on an intoxicating substance."

The substance, in this case Gatwick Airport, attracts a range of dependents: skilled and semi-skilled workers; related industry such as express delivery and catering companies and, more recently, developers competing to build a business park nearby.

Their physical reliance on the airport is clear. More than 22,000 people depend directly on Gatwick for their income and a further 240,000 are thought to commute into the area each day. Industrial estates and efficient communication links have also lured many small and medium-sized companies to relocate near the West Sussex site.

The airport has also helped local towns to prosper by creating job opportunities for their residents and orders for their businesses. The Horley branch of Lloyds Bank, for example, has been forced to expand rapidly to deal with accounts placed by some of the world's largest airlines.

Horsham, 11 miles from Gatwick, is the most prosperous town in Britain, according to Mr Tony Champion, senior lecturer in geography at the University of Newcastle. Mr Champion, co-author of a report on "The Spread of Prosperity and the North-South Divide", says Horsham comes out top in a league of Britain's 70 wealthiest towns "because of its proximity to Gatwick and also substantial local office developments."

The report, which classes towns according to economic indicators such as house prices and employment growth, also lists Haywards Heath, the West Sussex town 12 miles from Gatwick, as the country's sixth most prosperous town.

Mr Champion says prosperity in local towns has increased as the airport has grown into one of the busiest in Europe, giving communities in Horsham, Haywards Heath and East Grinstead low unemployment and high average earnings.

The recruitment power of the airport has also drained semi-skilled workers from some towns and contributed to a high turnover in staff. Indal Business Research, the London-based market research company, conducted a survey of staffing in south-east England which found some companies in the area experiencing a staff turnover of 150 per cent.

Mr Nick Watkins of Indal blames the high turnover on the presence of Gatwick. The airport "acts as a magnet to workers and other employers have to fight to compete," he says. The research company also thinks services in local towns are suffering, although companies are reluctant to admit it.

Businessmen and local authority leaders deny they are over-dependent on Gatwick. They reject the idea of a "physical and psychological reliance" and lay claim instead to independent and flourishing local economies.

Horsham, according to Mr Charles Anderson, the area director of Lloyds Bank for the Surrey and West Sussex borders, "likes to think of itself as a stand-alone community not linked to the airport, but that stretches credulity too far. An important element of business there is driven by Gatwick."

The jewel in Horsham's crown, however, is seen by local councillors not as Gatwick but Sun Alliance, the largest UK composite insurer, whose headquarters for its life assurance, pensions and management services division are in the town.

The company is Horsham's largest employer with 2,300 people working out of 14 offices and a further 600 employed at its computer centre in Southwater, three miles away. Mr Jim Rochelle, managing director of Sun Alliance Management Services, says: "Horsham felt it had to attract industry to avoid being swallowed up by Gatwick and Crawley."

Horsham has benefited from Sun Alliance through substantial business rates and a development programme which has seen the company build three new offices in recent years. Mr Rochelle, meanwhile, hopes to ease the shortage of commercial property available to small businesses in the town by moving staff from some of Sun Alliance's smaller offices into a new building due to be occupied this summer.

If Horsham depends on Sun Alliance to counter the effect of Gatwick on the local economy, so Haywards Heath relies on Lloyds Bank to balance the airport as the area's main employer. Lloyds, which relocated its private banking and financial service division to Haywards Heath in 1981, has grown to a present complement of 600 people at its offices.

Horsham "likes to think of itself as a stand-alone community not linked to the airport, but that stretches credulity too far. An important element of business there is driven by Gatwick"

Both Lloyds and Sun Alliance do not cite the proximity of Gatwick as a big factor in their decision to relocate out of London. They chose Horsham and Haywards Heath because they offered relatively cheap office space combined with a well-developed infrastructure in a part of south-east England where professional staff were keen to work.

Mr Paul Brown, Lloyds' director of private banking and financial services in Haywards Heath, says he can rely on a better return in man-hours from his workers. Most of the bank's employees live close to the office and do not suffer the delays and congestion which London commuters endure.

East Grinstead, without office developments to rival either Sun Alliance or Lloyds, is much more dependent on Gatwick. The airport, eight miles away, is the town's largest employer. And almost 30 per cent of the town's businesses are associated with Gatwick. But even here local businessmen are reluctant to admit the extent of their dependency.

Mr Philip Briggs, president of the East Grinstead chamber of commerce, says: "We don't rely particularly on Gatwick and we are not affected by the downturn in traffic at the airport as much as other areas."

Gatwick has, however, exercised a greater pull on companies moving to East Grinstead than those moving to other towns.

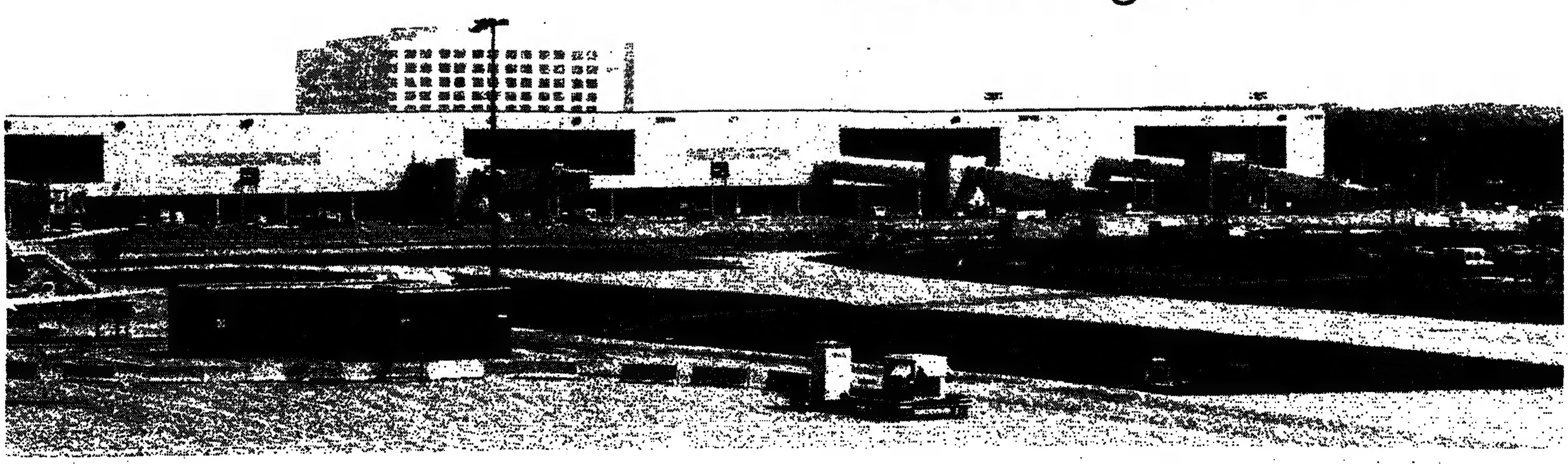
*Digital Exploration, the US-*owned oil exploration company, is named by the chamber of commerce as one of many companies in the town which do not depend on Gatwick for business. Yet Mr Ian Thornton, processing manager for Digital Exploration, says the company's prime reason for locating in East Grinstead was its proximity to the UK airport which offered the best services to Houston, where the US group is based, and the convenience of a hub through which valuable data shipments could be sent.

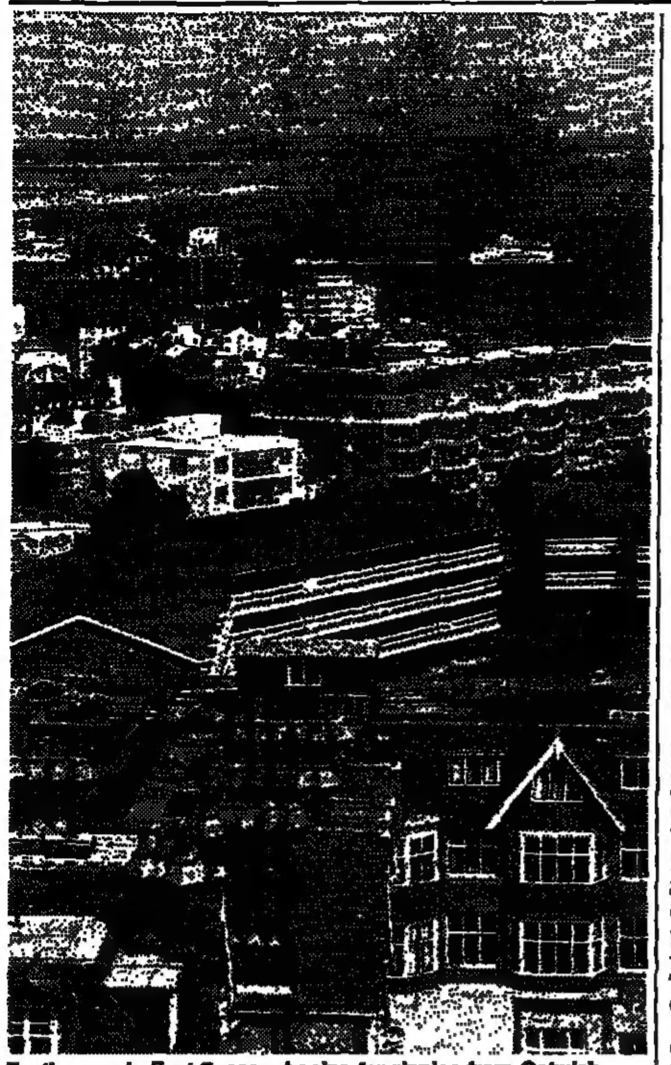
None of the towns around Gatwick can claim be be totally independent from the airport. More than 2,000 airport workers have lost their jobs in recent months and there has been a knock-on effect in local communities. There was full employment in East Grinstead last year but the town's jobless register now has names to it and several commercial properties are unoccupied.

Even Sun Alliance, which says Horsham is well insulated from the redundancies at Gatwick, admits: "We have not been immune from the difficulties of the recession".

Mr Watkins at Indal Business Research thinks the downturn will weaken the airport's dominance of the local labour market.

Staff turnover is expected to slow because Gatwick is making fewer demands on the local workforce and Mr Watkins says surrounding towns could soon find "the pulling power of the airport has diminished."





Eastbourne in East Sussex: hoping for ripples from Gatwick

ROAD AND RAIL LINKS

Environment comes first

AT THE core of the growth of business in the Gatwick area is an airport used by 60,000 people a day; it is dependent on efficient communications. Yet London's second airport still does not have a good road link with the capital: there is no direct route south from London, making access to the Sussex airport that much harder.

But this disadvantage has been more than outweighed by several other factors.

First and foremost, it has its own efficient rail terminus. This puts the City and West End little more than half-an-hour away on the busy Gatwick Express, which runs every 15 minutes to Victoria, where two major airlines offer check-in facilities. Ironically, this link was not part of a grand design to create today's international hub: it owes more to the foresight of Morris Jackaman, a previous owner of the airport, who decided in the 1930s that a railway link would be a vital part of its success.

Gatwick also has good connections with the motorway network in the south of the country: the M23 and M25 London orbital westbound link it with the M3, M4 and M40 while eastbound it connects it with Kent and the Channel ports. The new Thames crossing at Thurrock, due to open in October, will improve links with the north of London and Essex. There is also plentiful and cheap car parking.

The airport also has the benefit of a very large catchment area, embracing south London and the south-east of England.

These factors are increasing in importance as the numbers of people travelling on business grows. Some 20 per cent of Gatwick's passengers are now on business flights. Mr Allan Munds, managing director, says: "Gatwick is easily accessible by rail and road which stands it in excellent stead with business travellers. Once at the airport there are plenty of facilities to allow them to continue working, or, if they prefer, plenty of opportunities for them to relax."

Statistics show that 53 per cent of all people who have flown on business from the UK in the past three years have used Gatwick; over two-thirds of all business fliers living in the south-east of England have used Gatwick.

Gatwick Airport is of central importance to the local economy, particularly the town of Crawley. It works closely with local authorities and business, as will be demonstrated later in the year when the airport hosts the Sussex Business, Industry and Technology Exhibition, which will focus on the importance of the European single market and exports. Many exhibitors, including high-tech and manufacturing companies, financial, business and export services, have benefited from having an airport on their doorstep.

Apart from the companies which derive their business directly from the airport, others have benefited from its expansion, such as electronics manufacturers Philips and Thorn-EMI and the defence specialist MEL.

Yet it is truer to say that most companies have been helped by the airport, rather than to assert that their growth has been solely due to Gatwick. Crawley in fact came first, designated a new town with light industry in the 1950s.

Despite the area's efficient communications, the question that poses itself is why this part of Sussex has not seen the same rapid ribbon development that there has been westward from Heathrow. There is, for example, no fast road to Brighton. There are business parks on the M23, like the 27-acre Accord business quarter at Crawley, but no widespread building development.

Some answers to the riddle are provided by Mr David Roberts, who personifies the close links between the airport and the local business community, as general manager of the south terminal and chairman of the north and mid sections of the Federation of Sussex Industries.

"The north part of the county is really the light industrial area," he says. "Gatwick growth has been concentrated on a small radius: much of this is to do with the planning policies of both county and district. There is a high level of environmental concern in Sussex. It is regarded as a 'county' area and there has been a reluctance to allow industrial development to spread.

Why there has not been the ribbon development of Heathrow

"There is an awareness of the importance of the county's rural amenities and the value of areas like the Downs."

This is borne out by the policy of West Sussex County Council, which is pressing for early completion of road improvements, so long as the effects on the environment are acceptable. Such projects as the M23-A264 Crawley south-western bypass, the A22-A264 East Grinstead bypass and several improvements to the A23 are designed to ease traffic on primary routes that are urban distributors as well as access roads to Gatwick; they will relieve overloaded urban junctions, and, in the case of the bypasses, avoid urban areas. Other schemes, such as a Crawley High Street relief road, look ahead to 2006. Where the roads are approved, their lines will be protected from development.

The structure plan identifies a strategic gap between Crawley and Pease Pottage where developments will be allowed, enabling the effective use of the runway. However, they "must not be harmful to the neighbouring environment and will normally have to be within the airport boundary", since the adjoining land is within the proposed extended metropolitan green belt.

A phased expansion in business, industry and warehousing space around Crawley is envisaged by the local authorities themselves, which would add over 300,000 sq metres (3.2m sq ft) of business floorspace by 2006. About half of this will be to the north of Crawley before 1996. After that it will spread to the south-east. The town centre will develop, subject to the building of the high street relief road.

In recent years, industrial development in the south-east has focused on the Medway area, as the political will is more directed towards areas of high unemployment. In Crawley, though unemployment has risen to 4 per cent – well below the national average – after being at 2.5 per cent for a long period, there has not been that demand for development so as to find jobs forpeople.

Nor, as the recession continues, is there much pressure at present for more office or industrial development at Gatwick itself: Mr Roberts points out that there is some empty office and warehouse accommodation there now. Many airlines and airport ancillary business take advantage of the efficient road links between Gatwick and its bigger sister to the west of London. These mean that they do not need to duplicate facilities: often one base will serve both airports.

Mr Roberts says that discussions have recently begun at county council level in east and west Sussex to encourage growth where there are pockets of unemployment and pockets of opportunity, for example in Hastings, where a positive policy of development will be followed, but it will be directed towards areas where there are problems. Such development will continue to recognise the importance of the rural quality of the county.

Bob Garton

Employers are still investing in order to train their staff despite the recession

Educating for the upturn

SURVIVING full employment is not a problem that exercises too many employers or regional planners at the moment. But that is precisely the title of a study published little more than two years ago by the Crawley and District Industries Association*, to cope with overheating of the local economy.

The study found that nearly 80 per cent of smaller employers had trouble filling vacancies, with larger firms reporting particular difficulty getting hold of technicians, skilled manual workers, engineers, scientists and other senior staff. Labour turnover was also uncomfortably high: around 20 per cent a year on average, but even higher in some lower paid and unskilled occupations.

Much greater emphasis needed to be given to training, as well as other measures to attract and retain labour, the study concluded. Failing that, it advised some categories of companies to consider leaving Crawley/Gatwick altogether for areas where more labour would be available.

The more skilled the workers, the faster they find new jobs

Local preoccupations have shifted somewhat since the report was published. By May 1991 unemployment in the travel-to-work area around Crawley had hit 8,364, or 3.6 per cent of the workforce, three times the May 1990 figure of 2,811. One of the largest local employers, Air Europe, went under earlier this year, throwing some 800 people onto the books of the Crawley Jobcentre. Last month another, Rediffusion Simulators, made 500 redundant after it failed to clinch a big export deal with China.

According to Mr David Kydd, employment services manager for Crawley, all categories of worker appear on the jobless register, from senior managers with £2,000-a-month mortgages to kitchen porters and labourers. In general, the more skilled they are, the faster they find new jobs: only 200 former Air Europe workers are still unemployed. Yet the word on the streets is gloomy: Crawley's boom time is over, at least for the time being.

Local employers are certainly feeling the difference. "A year ago," says Mr Tony Tomblin, personnel development manager for Duracell, which runs its European operations from Crawley, "we were having trouble finding and holding on to certain categories of staff – junior lab technicians, for instance. But with the recession, we've had fewer people leaving, and frankly I can't say it's a problem now."

Mr Ray Burberry, chief executive of the Crawley Training Association, agrees that the rise in unemployment has helped solve many of local employers' problems in the short term. As one of the main providers of technical training in the area, the CTA has noticed a trimming back of training budgets since the recession began to bite. For instance, the number of registered apprentices in the area is down from 73 in 1986 to 41 now, and will probably be half that figure next year.

However, employers are cutting back unwillingly. "In the last recession, in 1980," says Mr Burberry, "many employers simply dropped their training budgets altogether. This time they recognise the need to continue investing in their workforce but perhaps within a tighter focus. We regard it as our job to help them plan within a reduced budget, by tailoring our input to individual employers' needs."

The themes of greater flexibility and adapting training programmes to particular companies and industries are echoed by other professionals such as Mr Stuart Milner, who combines his duties as principal of Crawley College with chairmanship of the Crawley and District Industries Association. "We work extremely closely with local employers and provide a wide range of tailor-made courses," he says.

Over the past year these have included sending trainers to Gatwick Airport to teach supervisory skills to shift workers and a scheme under which roughly a third of Rediffusion Simulation's workforce took evening classes in subjects such as basic computing and foreign languages. Mr Burberry's CTA has been teaching staff of the Horsham-based Chipman how to maintain the converted railway carriages that spray weedkiller on railway tracks.

In practice, most companies draw on a mixture of sources for their training needs. In-house programmes run by the larger employers have increasingly given way to courses bought in from outside consultants in areas such as computer software packages. Local colleges are used principally to teach more formal qualifications, but also compete with private trainers in areas such as language skills and some of the more technical and managerial subjects.

The services offered by the likes of Crawley College are more accessible to large local employers than to smaller companies for whom the time and cost involved in even a relatively modest training programme may be prohibitive. One of the tasks the Sussex Training and Enterprise Council has therefore set itself is to foster links between large and small companies, with the aim of seeding new courses and approaches that will eventually become self-sustaining.

Sussex TEC is still too new to be able to draw any sensible conclusions about how far it can really strengthen employer-employer and employer-educator links. Roughly three quarters of its funds (£18.5m out of a total 1991-92 budget of £24.5m) are, like those of TECs in other parts of the country, in any case pre-empted by statutory youth and employment training schemes – the budgets for which were settled before the size of the rise in local unemployment was clear.

Language courses had spin-off effects on morale at Duracell

The TEC is already in the process of revising downward its forecasts for regional employment over the next three years. Ms Brenda Haddock, director of operations for the central Sussex area, acknowledges that its broader plans may need to be revised in the light of both the present recession and the implications for the Sussex area of European market integration from 1993.

Local employees at least seem eager to prepare for the latter. When Duracell offered its 95 headquarters staff foreign language tuition, it was surprised to find over a quarter responding, and four so keen that they formed a self-help group after the course had ended. Mr Tony Tomblin, personnel development manager, is realistic about the effectiveness of part-time study on usable language skills. But, he says, the courses had important spin-off effects in terms of team-building and morale.

Both the skills training issue and the wider problem of how to retain staff will be back at the top of the agenda as soon as Gatwick area employers have to face up again to the challenges of full employment.

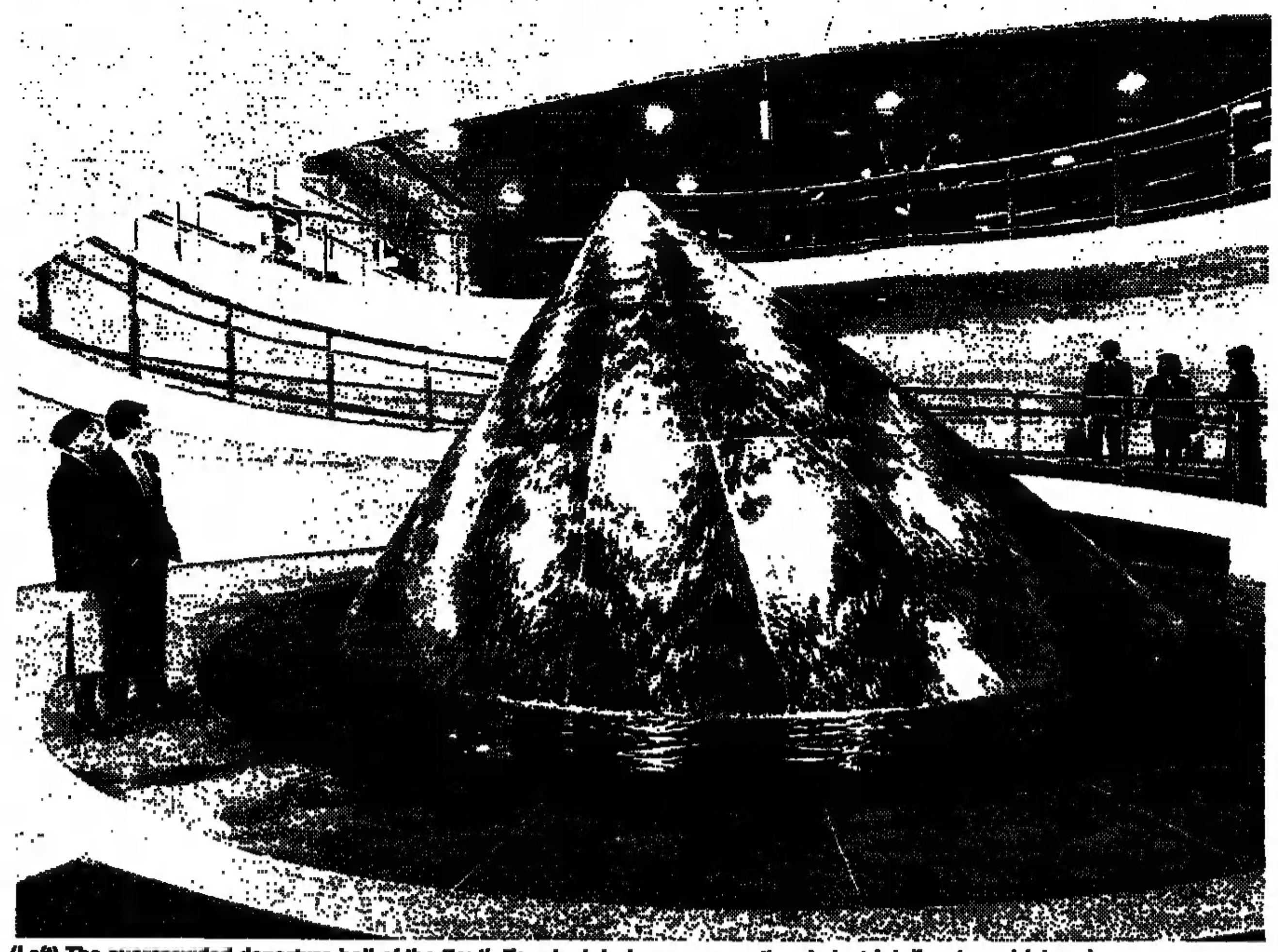
*Surviving Full Employment, Central Sussex/East Surrey Labour Market Study. Available from C. Nicholson, 21 Hartfield Road, Bexhill-on-Sea, East Sussex TN39 3EA. £25/£50 including appendices.

Nim Caswell

GATWICK BUSINESS REGION 5

What is now the world's fourth biggest international airport has changed out of all recognition, writes **Bob Garton**

More leisure flights take the scheduled route



(Left) The overcrowded departure hall of the South Terminal during a summertime industrial dispute and (above) the North Terminal, from where British Airways flights operate, which opened three years ago

WHEN the Queen opened the new south terminal at Gatwick in 1958, it boasted a European first: a pier along which passengers could walk in shelter to their aircraft. As London's second main civil airport, Gatwick's brief was to take diversions from Heathrow and provide a base for some independent operators. When she returned 30 years later to open the north terminal building, Gatwick had changed out of all recognition.

By that time the airport was handling 16m passengers a year and the new three-storey terminal was introduced as part of a phased development to handle projected further growth and improve facilities and service.

Just three years later, the growth in traffic and status at Gatwick has continued unabated: passenger levels have increased by more than a third. The latest phase in this development was marked on June 3 when Mr Malcolm Rifkind, the Transport Secretary, opened a £40m extension at the north terminal, which will enable it to handle up to 15 wide-bodied aircraft on piers at any one time.

Gatwick is now the fourth biggest international airport in the world. Its twin terminals, connected by a rapid transit system, handle 21m passengers a year. Gatwick Airport Ltd, which has run the airport since 1987, expects this figure, which represents 189,000 take-offs and landings annually, to climb steadily to 25m by the middle of the decade, perhaps reaching 30m – or 200,000 take-offs and landings – by the year 2000. While the debate continues about a further runway in the south-east, Gatwick would be able to handle the growth to 30m with its present single runway.

As Gatwick has expanded, so the profile of passengers has changed. The airport's growth accelerated sharply in the 1970s, when the exclusion of new airlines and charter flights from Heathrow coincided with the boom in package holidays and increasing transatlantic traffic. While it retains its position as Britain's premier leisure airport, Gatwick is gradually shedding its "bucket and spade" image.

Recent surveys show the majority of passengers using the airport are in the ABC1 bracket, aged 25 to 40.

Sixty per cent of the airport's passengers now travel on scheduled flights, with airlines providing services to 150 destinations in 64 different countries.

Gatwick has become a prime choice for travellers with business in north America: it offers more scheduled destinations in the US than any other European airport. One in every five passengers takes a transatlantic flight: 17 airlines fly from Gatwick to more than 20 north American cities. Virgin Atlantic started scheduled flights to Boston at the end of May.

The growing trend away from off-the-peg holidays to more individually tailored arrangements has seen a steady increase in the numbers of people seeking scheduled flights. Sixty airlines now offer regular scheduled flights to more than 40 destinations across Europe, the most popular being Paris.

Although most of Gatwick's take-offs and landings are leisure flights, business travel is playing an increasingly important role, now making up 20 per cent of the traffic. The south terminal has fax and photocopying facilities and a departure lounge for business travellers. Several airlines have business-class lounges and the hotels adjoining the airport's two terminals, such as the four-star Sterling which opened last year, have business centres offering secretarial services, conference facilities and a range of office equipment.

The steady climb in Gatwick's traffic has run into some turbulence this year. The combination of the UK recession, the Gulf war and the demise of Air Europe saw passenger levels fall by 24 per cent in April compared with April 1990. The figures were also affected by the decision of several airlines to switch flights to Heathrow after Mr Rifkind's relaxation of air traffic regulations gave them the freedom to do so.

Ironically, the transfer of some flights to Heathrow is seen as a positive advantage to Gatwick. Mr David Roberts, general manager of south terminal, explains that it gives the Sussex airport more "breathing space"; without the heavy traffic pressures that Heathrow has, Gatwick is able to offer better facilities to passengers and airlines, offering easier handling and quicker turnrounds. At the same time, some new routes from Gatwick are being added: Pan Am has just started services into the US, Virgin has begun flying to Boston, Northwest Airlines, which flies into North America, hopes to add a route to Sydney in summer.

Gatwick Airport hopes that most of the 3m people estimated to travel each year with Air Europe will still want to fly. A number of Air Europe's routes have already been taken over by other established carriers.

Cargo is set for strong growth at Gatwick over the next decade and the capacity of the cargo terminal on the north side of the runway is being expanded. It handled a total of 220,480 tonnes in the year to April (a 3.1 per cent increase over the previous year) and is being developed to 300,000 tonnes by 1994. The cargo area itself is scheduled to grow to 225,000 sq ft by then.

Yet, despite the changing pattern of flying from Gatwick and the changing profile of its passengers, the most obvious difference at Gatwick is in the nature of the terminals themselves. The past three years have seen a remarkable change in the commercial side of the business.

The number of travellers, visitors and employees adds up to a total of 30m potential shoppers – a figure reflected in the window displays of the many retail outlets in the north terminal and the south terminal's Gatwick Village. The innocent traveller arriving at Gatwick for the first time might be forgiven for thinking that he has taken a wrong turning and ended up in a shopping mall.

High street names with stores at Gatwick include W.H. Smith, Burton, Benetton, Our Price, Dorothy Perkins and Boots the Chemist in its first airport venture.

Says Mrs Joy Weston, Gatwick's commercial director: "Travellers are becoming increasingly discerning – they want to buy quality at a fair price. Our policy is to ensure this happens at Gatwick."

The policy is reflected in a price guarantee scheme launched in May. A clause in airport retailers' and restaurants' contracts requires them to honour a fair-pricing commitment. Mrs Weston says: "If customers find they are paying more at the airport than they should be, we will give them their money back. The aim of the campaign is to reassure the customer that prices have not been inflated by the caterers, retailers or other commercial operators simply because they are selling their products at the airport."

The recent increase in leisure time and disposable income has led to people taking more holidays and eating out more often. "Consumers are becoming more selective and demand more choice," says Mrs Weston. "They are more adventurous, call for higher standards, value for money and a domestic product as good as anything to be found abroad."

This has led to a £5m scheme at Gatwick, just completed, to create new catering outlets. These include an American-style diner (complete with pink Chevrolet), food courts at each of the terminals, and grill restaurants. The airport hopes that eating at one of the new outlets will become as important to passengers as a trip to the duty-free shop.

Bob Garton

GATWICK BUSINESS REGION 6

Crawley is seeing 'the new unemployment'

A balance in jeopardy

ONE WORD used a lot in Crawley, by planners and politicians, in the town guide and in the borough structure plan is "balance".

Perhaps that is not surprising in a settlement laid out almost overnight by planners, one of the eight original post-war new towns designed to take development pressures away from London.

The familiar new town characteristics abound: wide roads and green spaces; drab concrete 1950s and 1960s buildings, interposed rather awkwardly with older structures from the three original villages, and newer ones of glass and steel.

By any definition, the original plans have been more than fulfilled. The 10,000 residents of the 1940s had swelled to 60,000 by 1962, when Crawley became the first new town to meet its target population and dissolve its development corporation.

So the talk is of balances: between employment and houses; manufacturing and services; people and leisure facilities; economic development and the environment.

But recently the fulcrum has shifted, threatening to disrupt the sacred balance. The population continues to grow, now topping 87,000 and due to reach 100,000 by the turn of the century. Unemployment has begun to rise. And the relationship with Gatwick airport, engine of the local economy, is increasingly ambivalent.

Two years ago, the Crawley region had the lowest unemployment rate in the country: a mere 1.5 per cent. People leaving jobs one day were more-or-less guaranteed work the next.

Now, says Mr Frank Coley, Sussex employment service manager, the figure has risen to 5 per cent. Twice the number sign on for benefits as did a year ago. Employers can pick and choose, while employees have to hunt harder for work.

The Crawley job centre has added several new staff to its payroll. "We are seeing 'the new unemployment'," says Mr Coley. Accountants, solicitors, surveyors, marketing managers and even a television producer have come along in the past few months as the recession has bitten.

Looming over the area, where it employs 22,000 people directly or in spin-off industries, such as catering and the hotel trade, is Gatwick. The town's coat of arms is supported by an eagle and a lion which symbolise the airport.

The effects of the Gulf War on top of the economic downturn caused a sharp drop in passenger traffic at the start of 1991, forcing many companies to shed jobs. Then, in an uncomfortable repeat of what happened to Freddie Laker a decade earlier, Air Europe collapsed in March, putting 2,000 people on the street.

'We're afraid of being dominated by Gatwick, as Corby was by steel'

"Crawley couldn't have developed as it has without the airport," says Mr Ken Dunn, deputy leader of the Conservative opposition in the council, which has been Labour-controlled for all but two years since the local authority was created. "As an ex-RAF pilot I couldn't be anti-airline. But we're afraid of becoming dominated by Gatwick, like Corby was by steel. And we all know what happened to Corby."

Mr Dunn is also vice-chairman of the Gatwick Area Conservation Campaign, which opposes the construction of a second runway on economic as well as environmental grounds. Mr Alf Pegler, leader of the council, also hints at the souring relationship with Gatwick. The town originally attracted light manufacturing and engineering companies to the Manor Royal Industrial Estate, which grew rapidly in the post-war years.

Now many firms have closed, while others have cut back, including APV, which has switched some production to Peterborough and the US. In their place has come service industry, mostly related to Gatwick and mainly offering unskilled jobs. Less than a third of employment is now in manufacturing. "Prospects for young people in the area are not good," Mr Pegler says.

The demise of Air Europe puts 86,000 sq ft of office space back on the market at Churchill Court, Crawley, just two years after it was hailed as the largest single letting in the area. Grosvenor Developments is offering new 25-year leases at £17 a sq ft

Mr Michael Sander, chief executive of Crawley borough council, sees this trend as a reflection of the large number of multinational corporations which make their location decisions from headquarters thousands of miles from the town.

"Until last year, Crawley showed all the typical signs of an overheated economy," he says. "There was a tremendous labour shortage, high retail turnover and huge rates of development." House prices soared and there was a chronic lack of supply.

Mr Sander says there has been a degree of shock at the recent changes. "But there remains a feeling in the town that development has gone ahead too fast, and people want it tempered."

The relaxation of government planning controls has created an oversupply of offices. Demands on the council to sell surplus land and reduce the level of public housing construction has also put development of a 13th neighbourhood, Maidenbower, with 3,600 homes, into the hands of the private sector. Building work has slowed down since the recent downturn.

The council has persuaded the contractors to provide £23m in public benefits, including new roads, a day care centre and open space. But repossessions have soared recently and the weakening demand for new houses has slowed down the site's completion, causing further stress to the local building industry.

Meanwhile, there are pressures on the council to accommodate a new industrial estate, in line with government policy to promote economic development. Several proposals threaten the open land known as the Crawley-Gatwick "strategic gap", although the council has proposed a site called the Beehive next to the airport.

However, Mr Dunn says: "Nobody can pretend Crawley is poverty stricken." Unemployment remains small compared to the national average. He points to the new shopping centre due to open next April, the excellent transport links and the best open space and leisure facilities in the region. Crawley has two leisure complexes, a golf course and the Hawth, an arts centre.

Mr Charles Nicholson, a consultant who has prepared a study of the region for the local Training and Enterprise Council, says adequate new housing will not be provided to keep prices down, and that companies will need to search further afield for employees.

The current loosening of the labour market plays into their hands. "Now is the time for businesses in central Sussex to capitalise on the shake-out to get and train the labour they need," he says. "But whether they will is another matter."

Andrew Jack

Tim Burt looks at the prospects for expanding the airport

The 'non-runner' runway

GATWICK lights up after dark. Thousands of lights – red, white, green, blue – shine on the tarmac and guide aircraft from terminal to runway and into the sky.

This autumn, pilots making night-time flights from the airport will be told by traffic controllers to take off from 2,565 metres of concrete which does not officially exist. This is Gatwick's Northern Runway.

Running parallel to the main runway – known to pilots as 26L/08R – the northern strip differs in two ways: it is 533 metres shorter than its neighbour; and is usually marked by a line of green lights rather than white ones. Green lights indicate a taxiway.

So, the single runway airport has a second runway. In the spring and autumn aircraft take off and land on the taxiway while essential maintenance is made to 26L/08R.

BAA, the former British Airports Authority which owns and operates Gatwick, is coy about the northern runway. It says the airport has single runway status because it only uses one runway.

The authority treads carefully around the second runway issue because it is legally bound to do so. When BAA negotiated planning permission for the North Terminal, completed in 1988, it signed a legal agreement with West Sussex County Council under which it guaranteed not to build or develop a second runway at Gatwick. The agreement is binding until the year 2019.

Mr Michael Holdsworth, who negotiated the legal agreement with BAA, describes plans for a second runway as a "non-runner".

Mr Holdsworth, honorary secretary of the Gatwick Airport Consultative Committee, has also extracted an agreement from BAA not to use the main runway and northern runway simultaneously.

Reluctant to antagonise the county council, BAA says the future expansion of Gatwick is in government hands.

Central government could overturn the BAA-council legal agreement by using parliamentary legislation. But a commitment to runway development is a dangerous prospect for a government defending a clutch of Conservative seats in the Gatwick area.

The issue has been passed to the Transport Department, which has formed a working party – Runway Capacity to Serve the South East (Rucatse) – to consider ways of relieving airport congestion.

Among other options, Rucatse is considering further development of Gatwick in spite of BAA's legal agreement with West Sussex County Council. But it is unlikely to reach any conclusions before the general election.

At least one member of the working party, however, has already made its recommendations. The Civil Aviation Authority (CAA) has told the Department of Transport: "The preferred locations for new [runway] capacity are Gatwick, Heathrow and Stansted, with Gatwick the best choice in terms of airline competition."

Britain's Chartered Institute of Transport (CIT) agrees with the CAA and has outlined three options for dual-runway operation at Gatwick:

- simultaneous use of the main runway and the northern runway;
- a new runway south of the present airport complex;
- development of Redhill aerodrome as a feeder airport.

According to the Civil Aviation Authority, Gatwick is "the best choice" for new runway capacity "in terms of airline competition"

Mr Richard Botwood, director-general of the CIT, warns however, that "many technical difficulties and major environmental problems have to be overcome".

The two existing runways could be used simultaneously only if operational problems can be solved; a new southern runway would involve extending the airport's boundaries; and upgrading Redhill would take many years.

The final decision rests with the government. But "the government is terrified of the political implications of the second runway," says Mr Botwood.

Any moves towards dual-runway operation will be fought vehemently by the Gatwick Area Conservation Campaign which represents 150 local authorities and amenity societies on the Rucatse working party.

Mr Brendon Sewill, chairman of the conservation campaign, says: "We are totally opposed to a second runway on the grounds of intolerable noise and damage to the environment."

West Sussex County Council also intends to fight further Gatwick development. Mr Peter Marshall Brown, the council's deputy planning officer, says West Sussex will resist any additional use of land around Gatwick and argue that the infrastructure and employment potential of the area cannot meet the demands of a larger airport.

"We would resist further development very fiercely," he adds.

Congestion has eased at Gatwick following the downturn in traffic earlier this year and the recent transfer of some airline services to Heathrow. But the present slack at London's second airport may disappear as carriers seek new routes.

Failure, meanwhile, to make a firm commitment to increase runway capacity could compromise London's pre-eminent position as Europe's busiest gateway.

Aviation authorities in France and the Netherlands are keen to exploit the overcrowding at both Gatwick and Heathrow. Expansion is under way at Charles de Gaulle airport in Paris and Amsterdam's Schipol has presented itself for some time as London's third airport.

Opponents of Gatwick's expansion say the solution lies north of London at Stansted, where BAA opened a £400m terminal this year. But the government has already accepted recommendations by planning inspectors that there should never be a second runway at Stansted.

Other options identified by the CAA include a third runway at Heathrow; expansion at Luton; and increased use of the small airports at Southampton and Bournemouth.

Gatwick, however, is favoured by the airlines using it as the site for a second runway. Dan-Air, the UK scheduled and charter carrier, says a Short Take Off and Landing (Stol) runway is an attractive proposition for the airport.

"There's always been pressure for an additional runway and there is traffic to support it," says a Dan-Air spokesman. "A Stol runway would ease congestion and would be environmentally ideal."

Such a development is also backed by long-haul airlines. Northwest, the US carrier, thinks a second runway would boost its interline traffic – passengers who transfer from domestic and continental services to transatlantic routes.

"Increasing short-haul traffic by using a second runway is good news for us," says Northwest.

A second runway would also be good news for the Gatwick business area. The Chartered Institute of Transport says the economic benefits of airport development are worth "billions of pounds".

But the institute warns: "The government must balance the economic importance of Gatwick's second runway against the legal constraint [on BAA] and the environmental problems. It's a hard decision to make."